

Interim
Report

Q3 2019

Glossary of Terms and Definitions

ALM	Asset and Liability Management
bps	Basis Points
CBR	Combined Buffer Requirement
CET 1	Common Equity Tier 1
CIR	Cost-to-Income Ratio
CRR	Capital Requirements Regulation
CVA	Credit Value Adjustments
DGS	Deposit Guarantee Scheme
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EU	European Union
FED	Federal Reserve Bank
FVTPL	Fair Value Loans Through Profit or Loss
FX	Foreign Exchange
GDP	Gross Domestic Product
GDR	Global Depositary Receipts
ICAAP	Internal Capital Adequacy Assessment Process
IFRS 9	International Financial Reporting Standard 9
ILAAP	Internal Liquidity Adequacy Assessment Process
LCR	Liquidity Coverage ratio
LTD	Loan-to-Deposit Ratio
MPE	Multiple Point of Entry
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NIM	Net Interest Margin
NLB or the Bank	NLB d.d.
NPE	Non-Performing Exposures
NPL	Non-Performing Loans
OCR	Overall Capital Requirement
O-SII	Other Systemically Important Institution
p.p.	Percentage point(s)
P2G	Pillar 2 Guidance
ROA	Return on Assets
ROE	Return on Equity
RoS	Republic of Slovenia
RWA	Risk Weighted Assets
SEE	South-Eastern Europe
SME	Small and Medium-sized Enterprises
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
The Group	NLB Group
TLOF	Total Liabilities and Own Funds
TLTRO III	Targeted Longer-Term Refinancing Operations III
TSCR	Total SREP Capital Requirement

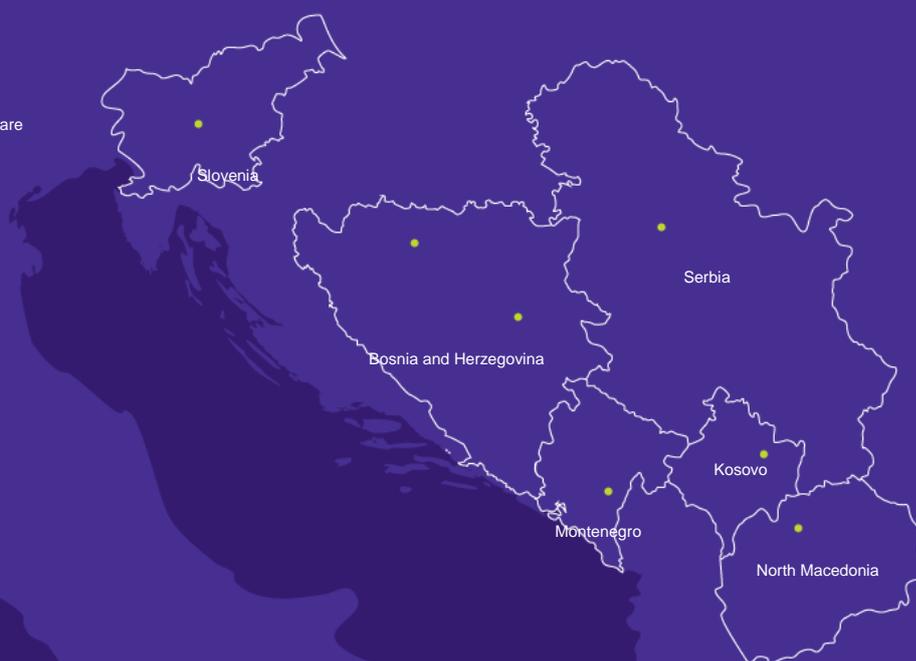
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NLB Group Strategic Members Overview

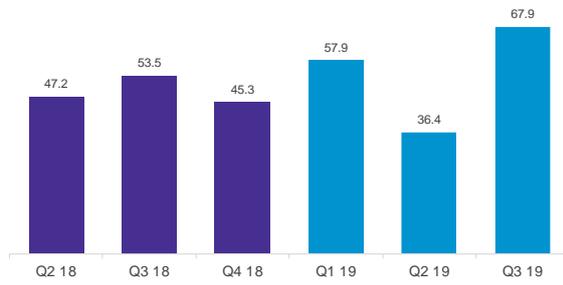
	Slovenia				North Macedonia	Bosnia and Herzegovina		Kosovo	Montenegro	Serbia
	NLB Group	NLB, Ljubljana	NLB Vita, Ljubljana	NLB Skladi, Ljubljana	NLB Banka, Skopje	NLB Banka, Banja Luka	NLB Banka, Sarajevo	NLB Banka, Prishtina	NLB Banka, Podgorica	NLB Banka, Beograd
Market position										
Branches	317	93	-	-	52	53	38	35	18	28
Active clients	1,829,508	680,882	-	-	379,862	224,423	133,389	210,473	64,732	135,747
Total assets (in EUR million)	13,490	9,289	541 ⁽¹⁾	1,436 ⁽²⁾	1,392	774	641	760	540	568
Profit after tax (in EUR million)	162.2	163.0	6.4	4.3	24.4	13.9	7.3	14.8	6.0	2.7
Market share (by total assets)	-	22.9%	15.7%	33.3%	16.0%	18.8% ^(3,5)	5.2% ^(4,5)	17.4%	11.7%	1.6% ⁽⁵⁾

(1) Assets of covered funds without own resources; (2) Assets under management; (3) Market share in the Republic of Srpska; (4) Market share in the Federation of BiH; (5) Market share as of 30 June 2019.



Figures at a Glance

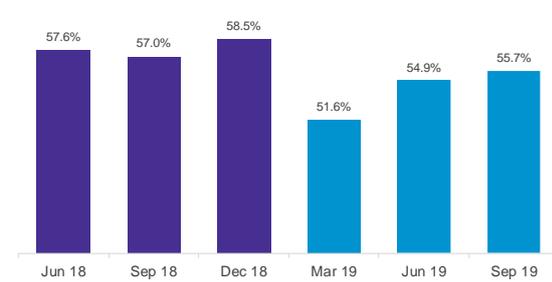
Profit a.t. - quarterly (in EUR million)



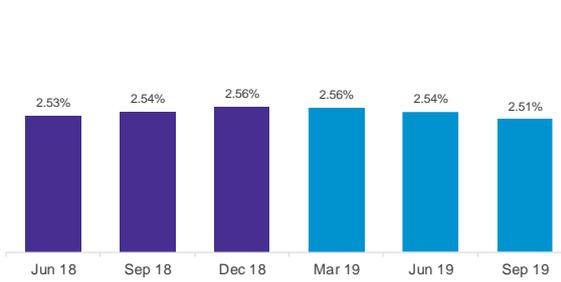
ROE a.t. - YtD (in %)



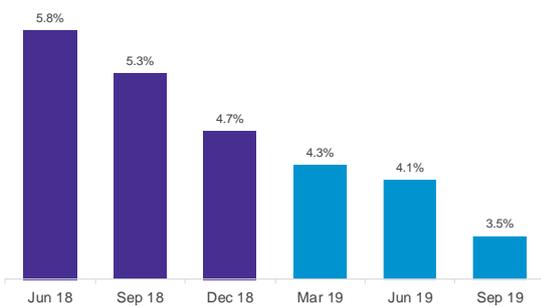
Cost /income ratio (CIR) - YtD (in %)



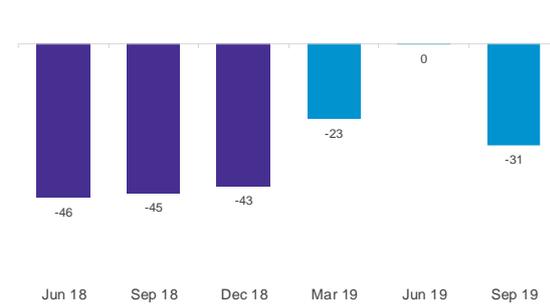
Interest margin* - YtD (in %)



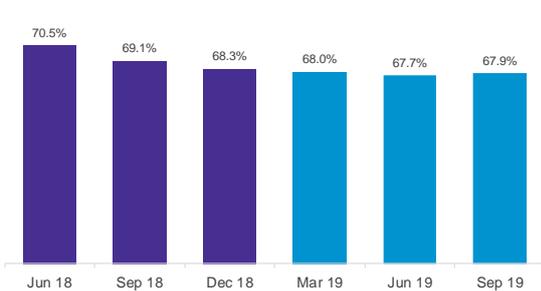
Non-performing exposure (NPE) - YtD (in %)



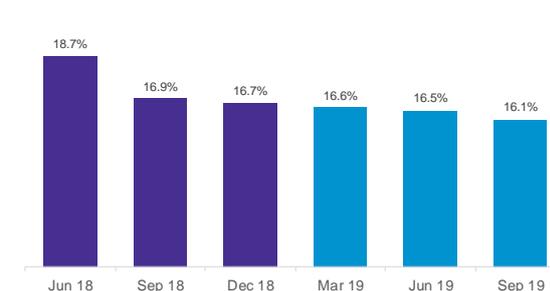
Cost of risk net - YtD (in bp)



Loan to deposit ratio (LTD) - YtD (in %)



Total capital ratio - YtD (in %)



*Interest margin data for 2018 are adjusted to the new methodology (calculation based on the number of days for the period).

Key Financial Caption

Table 1: Key Financial Caption of NLB Group

NLB Group						
in EUR million	1-9 2019	1-9 2018	Change YoY	Q3 2019	Q2 2019	Q3 2018
Key Income Statement Data						
Net operating income	384.7	369.0	4%	127.4	123.6	125.9
Net interest income	238.8	231.9	3%	79.8	79.7	80.2
Net non-interest income	145.9	137.1	6%	47.6	43.9	45.7
Total costs	-214.4	-210.4	-2%	-73.0	-72.4	-70.4
Result before impairments and provisions	170.3	158.6	7%	54.4	51.2	55.5
Impairments and provisions	9.7	19.0	-49%	15.2	-4.9	4.6
Result after tax	162.2	158.3	2%	67.9	36.4	53.5
Key Financial Indicators						
Return on equity after tax (ROE a.t.)	13.1%	11.9%	1.2 p.p.			
Return on assets after tax (ROA a.t.)	1.6%	1.7%	0.0 p.p.			
RORAC a.t. ¹	17.0%	15.9%	1.1 p.p.			
Interest margin (on interest bearing assets) ²	2.51%	2.54%	-0.03 p.p.			
Interest margin (on total assets - BoS ratio)	2.43%	2.48%	-0.05 p.p.			
Cost-to-income ratio (CIR)	55.7%	57.0%	-1.3 p.p.			
Cost of risk net (bps) ³	-31	-45	14			
in EUR million / %	30 Sep 2019	31 Dec 2018	30 Sep 2018	Change YtD	Change YoY	
Key Financial Position Statement Data						
Total assets	13,489.5	12,740.0	12,783.7	6%	6%	
Loans to customers (gross)	7,905.1	7,627.5	7,618.7	4%	4%	
Loans to customers (net)	7,496.0	7,148.4	7,080.9	5%	6%	
Deposits from customers	11,038.2	10,464.0	10,246.7	5%	8%	
Equity (without non-controlling interests)	1,661.5	1,616.2	1,844.5	3%	-10%	
Other Key Financial Indicators						
LTD (Net loans to customers/Deposits from customers)	67.9%	68.3%	69.1%	-0.4 p.p.	-1.2 p.p.	
Common Equity Tier 1 Ratio	15.6%	16.7%	16.9%	-1.1 p.p.	-1.3 p.p.	
Total capital ratio	16.1%	16.7%	16.9%	-0.6 p.p.	-0.8 p.p.	
Total risk weighted assets (in EUR million)	9,126.1	8,677.6	8,607.4	5%	6%	
NPL volume - gross (in EUR million)	476.3	622.3	705.6	-23%	-33%	
NPL coverage ratio 1 ⁴	86.0%	77.1%	76.4%	8.9 p.p.	9.6 p.p.	
NPL coverage ratio 2 ⁵	67.9%	64.6%	65.5%	3.3 p.p.	2.3 p.p.	
Non-performing loans (NPL)/total loans	5.2%	6.9%	7.6%	-1.7 p.p.	-2.4 p.p.	
Net non-performing loans (NPL)/total net loans	1.7%	2.6%	2.8%	-0.8 p.p.	-1.0 p.p.	
Non-performing exposure (NPE) - EBA Definition	3.5%	4.7%	5.3%	-1.2 p.p.	-1.8 p.p.	
Employees						
Number of employees	5,857	5,887	5,951	-30	-94	

¹ Result a.t. / average capital requirement normalized at 15.38% RWA for 2018 and 14.25% for 2019

² Interest margin data for 2018 are adjusted to the new methodology (calculation based on the number of days for the period); further analyses of interest margins are based on interest

³ Credit impairments and provisions (annualised level) / average net loans to non-banking sector

⁴ Coverage of gross non-performing loans with impairments for all loans

⁵ Coverage of gross non-performing loans with impairments for non-performing loans

International credit ratings NLB	30 September 2019	31 December 2018	Outlook	
Standard & Poor's		BBB-	BB+	Stable
Fitch		BB+	BB+	Stable
Moody's*		Baa2	Baa2	Positive

* Unsolicited rating.

Macroeconomic Environment

Global and European Economy

Recent economic events and indicators show further signs of a slowdown in the eurozone and other major economies in Q3 2019. Industrial production declined further in many European economies, which can be attributed to a foreign trade slowdown, trade uncertainties and maturing growth cycles. While the global economic slowdown already begins to transfer from industry to services, the central banks struggle to stimulate its economies. In their second rate cut this year in September, the FED dropped its rate further to a range of 1.75% to 2.00%, with further rate cuts to be expected this year and next year. On the other hand, the ECB announced its new stimulus package with a 10 bps cut in the deposit rate (to -0.50%) and mitigating measures for banks (more generous TLTRO conditions and a tiered deposit rate system), along with the restart of open-ended QE or the net asset purchase programme (APP). The ECB also called for an active fiscal policy. Nevertheless, we can expect that the interest rates will remain in the negative territories for an extended period, especially after the global growth cycle already reached its peak and is now in the downturn. The global economy is expected to expand by 2.7% in 2019 and 2.6% in 2020, as Consensus Forecast from FocusEconomics estimates, while the eurozone economy should expand by 1.1% in 2019 and 1.0% in 2020.

Economy in the Group's Region

In **Slovenia**, the economy is seen slowing in Q3 2019 after already moderated H1 2019, as the economic slowdown in the eurozone started influencing Slovenia and its export markets in the region. Nevertheless, the domestic expenditure and the employment remained strong, and along with higher wages supported a solid growth. A similar dynamic can be observed for the **SEE countries** that the Group is operating in. The economic momentum remained solid in Q3 2019. The latest available data show an average GDP growth of 3.2% in Q2, which is well above the eurozone average, whereas the average inflation decreased below 1% in Q3. The growth will moderate in the following year amid weakened economic momentum in Europe, nonetheless, robust domestic demand and improved business climate should support the economies. Consensus Forecast from FocusEconomics predicts an average economic growth in the Group's countries of 3.2% in 2019 and 3.1% in 2020 (see table below).

Table 2: Movement of key macroeconomic indicators in the eurozone and NLB Group region

	GDP				Average inflation				Unemployment rate			
	(real growth in %)				(in %)				(in %)			
	2018	Q2 2019	2019	2020	2018	Q3 2019	2019	2020	2018	Q2 2019	2019	2020
Eurozone	1.9	1.2*	1.1	1.0	1.8	0.9	1.2	1.3	8.2	7.6	7.6	7.5
Slovenia	4.1	2.3*	3.0	2.7	1.9	1.7	1.7	1.8	5.1	4.2	4.4	4.4
BiH	3.6	2.6	2.7	2.8	1.4	0.3	1.1	1.5	36.0	33.1	33.2	31.1
Montenegro	5.1	3.2	3.1	2.8	2.6	-0.2	1.4	2.1	15.2	14.3	14.7	14.3
N. Macedonia	2.7	3.1	3.2	3.3	1.4	0.3	1.5	1.9	20.7	17.5	18.5	17.5
Serbia	4.3	2.9	3.1	3.2	2.0	1.1	2.1	2.3	12.7	10.3	11.4	10.7
Kosovo	3.8	4.1	4.1	3.8	1.1	2.4	2.4	1.8	29.6	25.3	28.8	28.0

Source: Statistical offices, FocusEconomics Consensus Forecast

Note: Consensus Forecasts for 2019 and 2020; Registered unemployment data used for BiH; *Data for Q3 2019



Business Report

Key Developments

2%

Result after tax amounted to EUR 162.2 million, an increase by 2% YoY.

16.1%

Total Capital Ratio

The Total capital ratio of the Group reached 16.1% and was above the regulatory thresholds.

7%

Result before impairments and provisions amounted to EUR 170.3 million, an increase by 7% YoY.

3.5%

NPE

Further improvement of the loan portfolio quality was also reflected in the additional reduction of NPLs. The NPL ratio consequently decreased to 5.2%, while the NPE ratio fell to 3.5%.

39%

Strategic Foreign Markets continued to perform well and contributed 39% to the Group profit before tax.

4%

The total **net operating income** was EUR 384.7 million, an increase by 4% YoY as a result of a higher net interest income (3% YoY) and the net fee and commission income (6% YoY).

55.7%

CIR stood at 55.7%, which is 1.3 p.p. lower YoY.

Key Events

On 7 February, the Bank was awarded the Top Employer Certificate by an independent Dutch institute (Top Employers Institute) for the fourth year in a row.

On 14 February, the Bank disclosed a new decision on implementing a prudential requirement from the ECB, which has been effective since 1 March, resulting in the total SREP capital requirement (TSCR) of 11.25%, which includes the minimum own funds of 8% (Pillar 1 Requirement) and own funds requirement of 3.25% (Pillar 2 Requirement) to be held in the excess of minimum own funds requirement on the consolidated level. With this decision, the ECB has decreased the Pillar 2 Requirement from 3.5% to 3.25% of CET 1. This decision together with applicable combined buffer requirement (CBR) leads to the Overall Capital Requirement (OCR) of 14.75%. Pillar 2 Guidance (P2G) amounts to 1% of CET 1.

On 6 May, the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 45 million. The fixed coupon of the notes during the first five years is 4.2% p.a., thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as defined at the issuance of the notes (i.e. 4.159% p.a). The notes with ticker NLB27 and ISIN code SI0022103855 were as of 8 May admitted to trading on the regulated market of the Ljubljana Stock Exchange, bond segment.

On 17 May, the Bank received the decision of the Bank of Slovenia relating to the MREL requirement which amounts to 17.93% of TLOF at the sub-consolidated level of the NLB Resolution Group. The transition period to reach the MREL requirement is 30 June 2023 and from that date it shall be met at all times.

On 17 May, Standard and Poor's raised NLB's credit rating by one notch to BBB- from BB+, a move that takes it to the investment grade. The outlook is stable. The Bank's other credit ratings are BB+ (stable outlook) by Fitch and Baa2 (positive outlook) by Moody's.

On 10 June, when the 33rd General Meeting of the Bank was held, shareholders elected four new members of the Supervisory Board of NLB: Mark William Lane Richards, Shrenik Dhirajlal Davda, Andreas Kligen and Gregor Rok Kastelic. All were appointed for a four-year term.

On 18 June, dividends in the amount of EUR 142,600,000.00 (EUR 7.13 gross per share) were paid out to the shareholders in line with the decision taken by the 33rd General Meeting of the Bank.

On 19 June, privatisation process of NLB was successfully completed by way of an accelerated book building of the remaining 10 per cent of the RoS's stake in the NLB's share capital minus 1 share. After the completion, the RoS remains the largest shareholder of NLB, owning the 25 per cent stake plus one share. With the sale of the remaining 10 percent minus 1 share, almost all restrictions from the commitments made by the RoS to the EC have been lifted.

On 11 July, NLB announced that three Group members received the Euromoney Excellence Awards. NLB received the award as the best Slovene Bank and a recognition for the best transformation in the SEE region, NLB Banka Podgorica received the award as the best bank in Montenegro, and NLB Banka Skopje as the best bank in North Macedonia.

On 20 August, the Bank announced that both owners of NLB Vita insurance company (NLB and KBC Insurance NV) are currently investigating the possibility of a joint process to divest their shareholdings in NLB Vita. The divestment by NLB is part of an additional commitment given to the EC as a result of the extended due date for the sale of the required equity stake of the RoS in NLB. Currently, both owners cooperate in a joint divestment project; the sales process is in the non-binding phase.

On 6 September, the Supervisory Board of NLB met at its 57th meeting to discuss the NLB Group operations in the first six months of the year. It took note of the key elements of the new NLB Group strategy and approved the establishment of a new leasing company.

On 20 September, NLB entered into a bilateral agreement to raise EUR 45 million of subordinated Tier 2 debt to strengthen and optimise the capital structure.

Shareholder Structure of NLB

The Bank's issued share capital is divided into 20,000,000 shares. The shares are listed on the Prime Market of the Ljubljana Stock Exchange (ISIN SI0021117344, Ljubljana Stock Exchange trading symbol: NLBR) and the global depository receipts (GDR), representing shares, are listed on the Main Market of the London Stock Exchange (ISIN: US66980N2036 and US66980N1046, London Stock Exchange GDR trading symbol: NLB and 55VX). Five GDRs represent one share of NLB.

Table 3: NLB's main shareholders as of 30 September¹

Shareholder	Number of shares	Percentage of shares
Bank of New York Mellon on behalf of the GDR holders ⁽¹⁾	12,578,778	62.89
• of which Brandes Investment Partners, L.P. ⁽²⁾	/	>5 and <10
• of which European Bank for Reconstruction and Development (EBRD) ⁽²⁾⁽³⁾	/	>5 and <10
• of which Schroders plc ⁽²⁾⁽⁴⁾	/	>5 and <10
Republic of Slovenia (RoS)	5,000,001	25.00
Other shareholders	2,421,221	12.11
Total	20,000,000	100.00

Notes:

⁽¹⁾ The Bank of New York Mellon holds shares in its capacity as the depository (the GDR Depository) for the GDR holders and is not the beneficial owner of such shares. The GDR holders have the right to convert their GDRs into shares. The rights under the deposited shares can be exercised by the GDR holders only through the GDR Depository and individual GDR holders do not have any direct right to either attend the shareholder's meeting or to exercise any voting rights under the deposited shares.

⁽²⁾ The information on GDR ownership is based on self-declarations by individual GDR holders as required pursuant to the applicable provisions of Slovenian law.

⁽³⁾ Data confirmed by GDR holder as at 4 July 2019 (number of shares: 1,425,000, percentage of shares: 7.125).

⁽⁴⁾ Data confirmed by GDR holder as at 9 September 2019 (number of shares: 1,009,587, percentage of shares: 5.048).

Notes:

¹ Information is sourced from NLB's shareholders book accessible at the web services of CSD (Central Security Depository, Slovenian: KDD - Centralna klirinško depotna družba) and available to CSD members. Information on major holdings is based on the self-declarations by individual holders pursuant to the applicable provisions of Slovenian legislation, which requires that the holders of shares in a listed company notify the company whenever their direct and/or indirect holdings pass the set thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50% or 75%. The table lists all self-declared major holders whose notifications have been received. In reliance of this obligation vested with the holders of major holdings, the Bank postulates that no other entities nor any natural person holds directly and/or indirectly ten or more percent of the Bank's shares.

Financial Performance

Table 4: Income Statement of NLB Group

NLB Group									
in EUR million	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Q3 2018	Change QoQ	
Net interest income	238.8	231.9	6.9	3%	79.8	79.7	80.2	0.1	0%
Net fee and commission income	126.9	120.0	6.9	6%	44.6	42.1	40.4	2.5	6%
Dividend income	0.2	0.1	0.1	75%	0.0	0.1	0.0	-0.1	-89%
Net income from financial transactions	28.0	11.7	16.4	141%	5.1	10.7	5.0	-5.6	-52%
Net other income	-9.2	5.4	-14.5	-	-2.1	-9.0	0.3	6.9	76%
Net non-interest income	145.9	137.1	8.8	6%	47.6	43.9	45.7	3.7	8%
Total net operating income	384.7	369.0	15.8	4%	127.4	123.6	125.9	3.8	3%
Employee costs	-123.2	-122.0	-1.2	-1%	-41.8	-41.4	-41.1	-0.4	-1%
Other general and administrative expenses	-67.9	-67.9	0.0	0%	-23.3	-23.4	-22.5	0.1	0%
Depreciation and amortisation	-23.3	-20.5	-2.8	-14%	-7.9	-7.7	-6.9	-0.3	-3%
Total costs	-214.4	-210.4	-4.0	-2%	-73.0	-72.4	-70.4	-0.6	-1%
Result before impairments and provisions	170.3	158.6	11.8	7%	54.4	51.2	55.5	3.2	6%
Impairments and provisions for credit risk	15.6	23.2	-7.6	-33%	16.4	-4.0	7.6	20.4	-
Other impairments and provisions	-5.9	-4.2	-1.7	-39%	-1.1	-0.8	-3.0	-0.3	-34%
Impairments and provisions	9.7	19.0	-9.2	-49%	15.2	-4.9	4.6	20.1	-
Gains less losses from capital investments in subsidiaries, associates, and joint ventures	4.2	4.1	0.0	1%	1.6	1.4	1.6	0.3	18%
Result before tax	184.2	181.7	2.6	1%	71.2	47.7	61.7	23.5	49%
Income tax	-15.8	-16.6	0.8	5%	-0.9	-9.5	-6.0	8.6	90%
Result of non-controlling interests	6.2	6.7	-0.5	-8%	2.4	1.8	2.2	0.6	32%
Result after tax	162.2	158.3	3.9	2%	67.9	36.4	53.5	31.5	86%

Table 5: NLB Group result split on one-off effects and regular business

in EUR million	1-9 2019	1-9 2018
One offs:	6.3	11.7
Sale of NLB Nov penziskni fond		12.2
Sale of Skupna pokojninska družba		-0.5
Revaluation of non-core equity stake	6.3	
Regular net operating income	362.7	357.3
Regular result before impairments and provisions	164.0	146.9

Profit

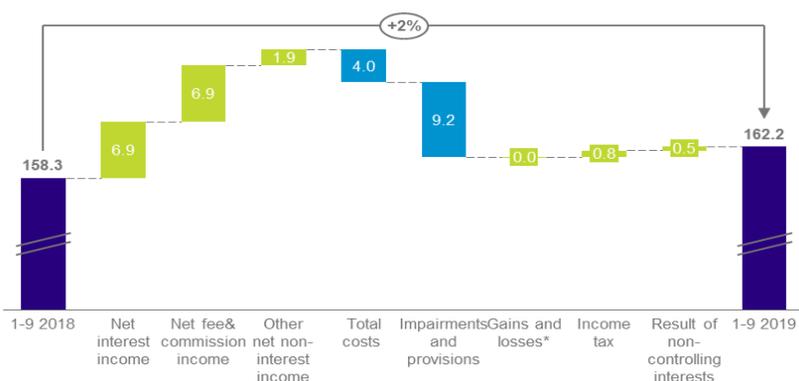
The Group generated EUR 162.2 million of profit after tax, which is EUR 3.9 million higher YoY.

The result was based on the following key drivers and YoY evolution:

- The net interest income higher by EUR 6.9 million (3%), mainly due to loan volume growth, especially in strategic foreign banks, and lower interest expenses due to a decrease in average deposit rates in the Bank and also in most of the member banks.
- The net fee and commission income higher by EUR 6.9 million or 6%, mainly from the retail segment.
- The net non-interest income was positively impacted by non-recurring income as a partial repayment of a larger exposure measured at fair value through profit and loss in the amount of EUR 5.1 million in Q1, and active management of banking book securities in the amount of EUR 3.4 million.

- In the first nine months of 2019, positive one-off effect² from the revaluation of a non-core equity stake was realized in the amount of EUR 6.3 million in Q2; whereas in the same period of 2018, the net non-interest income was positively impacted by the sale of NLB Nov penziski fond, Skopje in the amount of EUR 12.2 million and negatively impacted by the sale of a 28.13% minority stake in Skupna pokojninska družba in the amount of EUR 0.5 million.
- Costs higher by EUR 4.0 million or 2%, mostly due to higher employee and technology costs (mainly licenses).
- EUR 9.7 million of net provisions and impairments were released in the first nine months of 2019, while EUR 19.0 million were released in the same period of 2018.

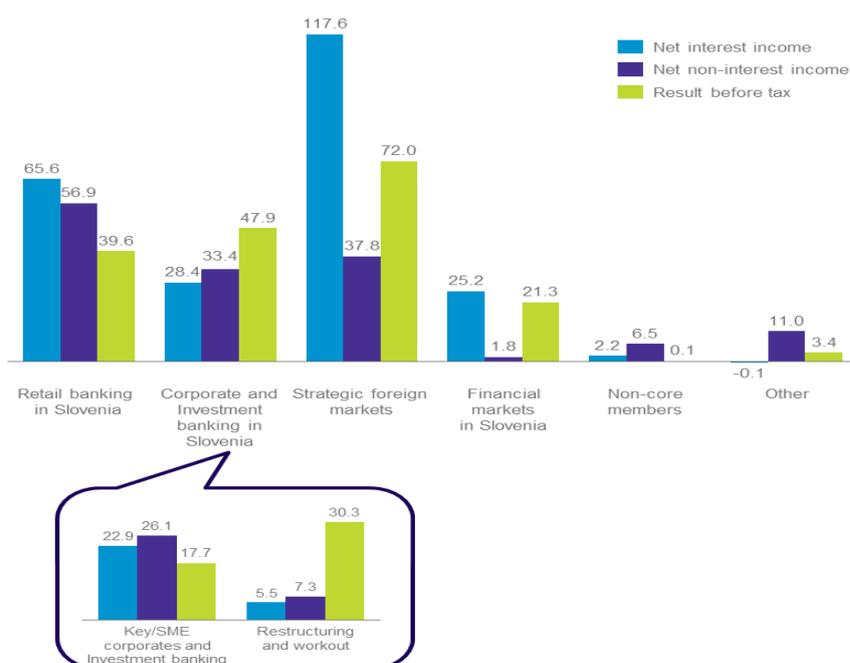
Figure 1: Profit after tax of NLB Group – evolution YoY (in EUR million)



*Gains less losses from capital investments in subsidiaries, associates, and joint ventures.

Profit before impairments and provisions totalled EUR 170.3 million, which is EUR 11.8 million or 7% higher YoY, mostly due to higher net operating income (EUR 15.8 million or 4%).

Figure 2: Segment results of NLB Group in 1-9 2019 (in EUR million)

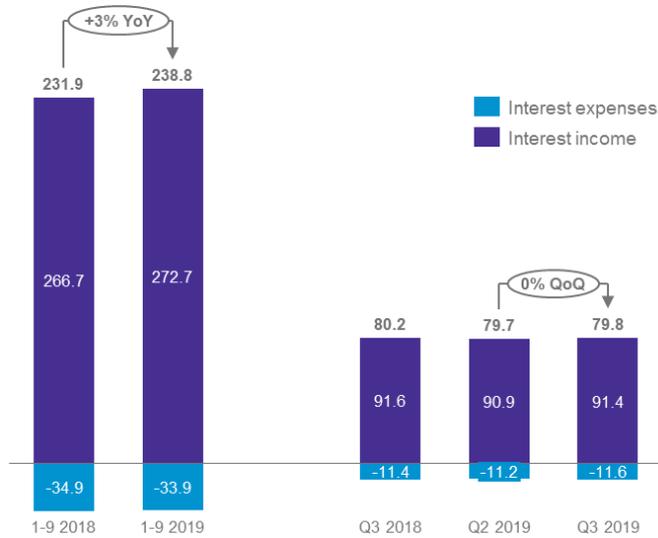


Notes:

² See table 5.

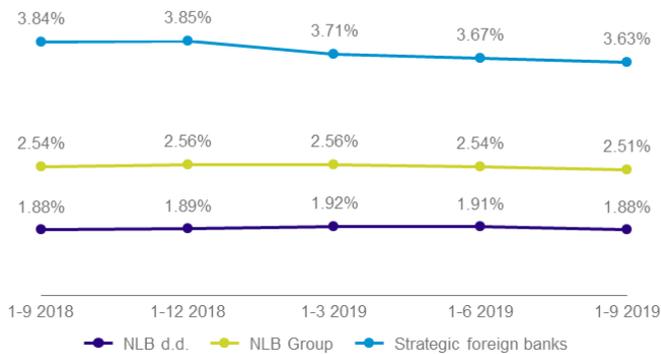
Net Interest Income

Figure 3: Net Interest Income of NLB Group (in EUR million)



The net interest income totalled to EUR 238.8 million, increase by EUR 6.9 million or 3% YoY, due to the increase of interest income in all the banks of the Group, supported by loan book growth and decline of interest expenses.

Figure 4: Net interest margin of NLB Group* (in %)

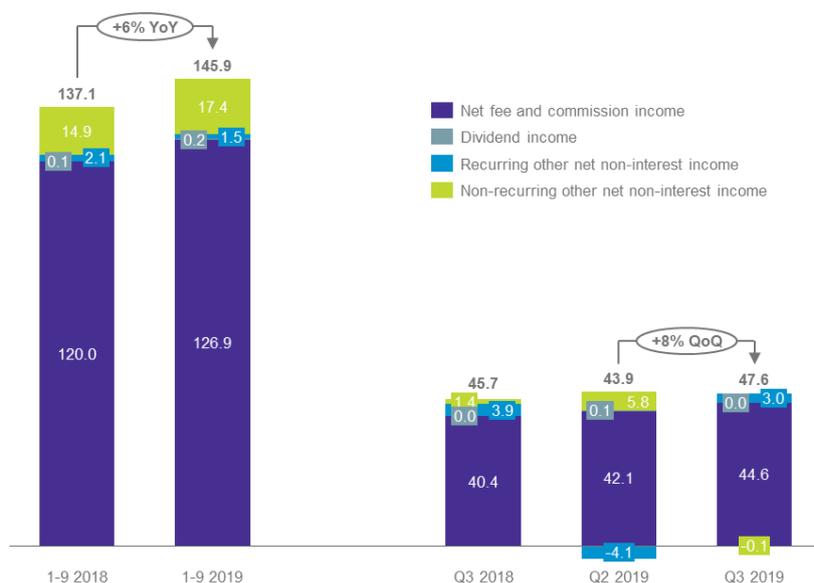


*Interest margin data for the Group and Strategic foreign banks for 2018 are adjusted to the new methodology (calculation based on the number of days for the period).

The net interest margin (NIM) for the Group decreased YoY and amounted to 2.51%. The interest margin for the Bank stayed on the same level YoY and amounted to 1.88%, while it decreased YoY by 21 bps to 3.63% for strategic foreign banks.

Net Non-Interest Income

Figure 5: Net Non-Interest Income of NLB Group (in EUR million)³



The net non-interest income reached EUR 145.9 million, increasing by EUR 8.8 million or 6% YoY. The YoY dynamic was influenced by the following factors:

- Net fee and commission income higher by EUR 6.9 million or 6% YoY, mostly as a result of an increased fee and commission income in Retail Banking in Slovenia and Strategic Foreign Markets.
- The net non-interest income was positively impacted by non-recurring income as a partial repayment of a larger exposure measured at fair value through profit and loss in the amount of EUR 5.1 million in Q1, and active management of banking book securities in the amount of EUR 3.4 million.
- In the first nine months of 2019 positive one-off effect⁴ from revaluation of a non-core equity stake was realized in the amount of EUR 6.3 million in Q2; whereas in the same period of 2018, the net non-interest income was positively impacted by the sale of NLB Nov penziski fond, Skopje in the amount of EUR 12.2 million and negatively impacted by the sale of 28.13% minority stake in Skupna pokojninska družba in the amount of EUR 0.5 million.

Regular net other income was affected by the regulatory costs (SRF and DGS) in the total amount of EUR 13.8 million, which were by EUR 0.4 million or 3% lower YoY.

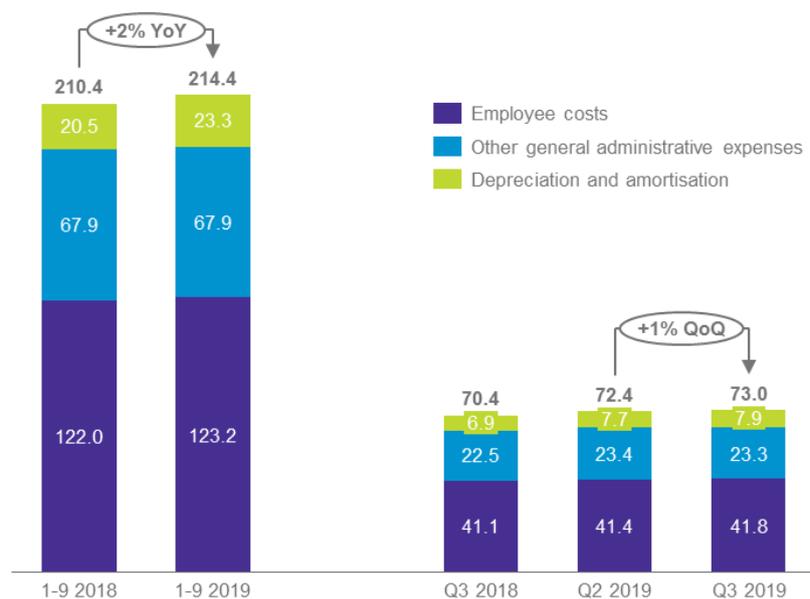
Notes:

³ From June 2019 on, different presentation of non-recurring items is in use.

⁴ See table 5.

Total Costs

Figure 6: Total costs of NLB Group (in EUR million)



The total costs amounted to EUR 214.4 million and are thus by EUR 4.0 million or 2% higher YoY. The increase was mostly due to employee and technology costs (mainly licenses) in the amount of EUR 1.2 million and EUR 3.5 million, respectively.

CIR stood at 55.7%, a 1.3 p.p. YoY decrease driven by higher income.

Net Impairments and Provisions

In the first nine months of 2019, the Group released EUR 9.7 million of net impairments and provisions while in the same period of previous year these amounted to EUR 19.0 million.

Impairments and provisions for credit risk were net released in the amount of EUR 15.6 million and thus the cost of risk was negative, -31 bps.

Other impairments and provisions were net established in the amount of EUR 5.9 million (of which established impairments for pending legal disputes in NLB Banka, Podgorica in the amount of EUR 2.7 million in March 2019).

Financial Position

Table 6: Statement of financial position of NLB Group

in EUR million	NLB Group				Change YTD		Change YoY		Change QoQ	
	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018						
ASSETS										
Cash, cash balances at central banks, and other demand deposits at banks	1,531.4	1,460.7	1,588.3	1,557.4	-57.0	-4%	-26.0	-2%	70.6	5%
Loans to banks	90.3	108.1	118.7	402.0	-28.4	-24%	-311.8	-78%	-17.9	-17%
Loans to customers	7,496.0	7,280.8	7,148.4	7,080.9	347.6	5%	415.1	6%	215.2	3%
Gross loans	7,905.1	7,721.1	7,627.5	7,618.7	277.6	4%	286.3	4%	184.0	2%
- Corporate	3,661.5	3,565.7	3,540.4	3,561.5	121.1	3%	100.0	3%	95.8	3%
- Individuals	3,931.5	3,842.1	3,726.5	3,663.5	205.0	6%	268.0	7%	89.4	2%
- State	312.1	313.3	360.5	393.8	-48.4	3%	-81.7	-21%	-1.2	0%
Impairments and valuation of loans to customers	-409.0	-440.2	-479.0	-537.8	70.0	15%	128.8	24%	31.2	7%
Financial assets	3,841.4	3,787.4	3,399.2	3,276.7	442.2	13%	564.8	17%	54.0	1%
- Trading book	87.6	116.9	63.6	45.2	24.0	38%	42.3	94%	-29.4	-25%
- Non-trading book	3,753.9	3,670.5	3,335.6	3,231.4	418.2	13%	522.5	16%	83.4	2%
Investments in subsidiaries, associates, and joint ventures	7.5	42.3	37.1	37.8	-29.6	-80%	-30.2	-80%	-34.8	-82%
Property and equipment, investment property	247.5	251.6	236.0	234.0	11.4	5%	13.4	6%	-4.1	-2%
Intangible assets	35.7	33.5	35.0	31.1	0.7	2%	4.6	15%	2.2	7%
Other assets	239.8	199.9	177.1	163.9	62.6	35%	75.9	46%	39.9	20%
TOTAL ASSETS	13,489.5	13,164.4	12,740.0	12,783.7	749.5	6%	705.8	6%	325.1	2%
LIABILITIES										
Deposits from customers	11,038.2	10,753.5	10,464.0	10,246.7	574.2	5%	791.5	8%	284.6	3%
- Corporate	2,429.9	2,294.6	2,337.3	2,310.0	92.6	4%	119.9	5%	135.3	6%
- Individuals	8,330.2	8,178.9	7,865.6	7,656.7	464.6	6%	673.5	9%	151.3	2%
- State	278.0	280.0	261.1	280.0	16.9	6%	-2.0	-1%	-1.9	-1%
Deposits from banks and central banks	56.3	44.8	26.8	43.3	29.5	110%	13.0	30%	11.5	26%
Borrowings	242.7	306.8	320.3	329.6	-77.5	-24%	-86.9	-26%	-64.1	-21%
Other liabilities	357.6	386.8	256.5	264.3	101.2	39%	93.3	35%	-29.1	-8%
Subordinated liabilities	90.3	44.9	15.1	15.3	75.2	-	75.0	-	45.4	101%
Equity	1,661.5	1,587.4	1,616.2	1,844.5	45.3	3%	-183.0	-10%	74.1	5%
Non-controlling interests	42.9	40.3	41.2	40.1	1.7	4%	2.8	7%	2.6	6%
TOTAL LIABILITIES AND EQUITY	13,489.5	13,164.4	12,740.0	12,783.7	749.5	6%	705.8	6%	325.1	2%

The total assets increased by EUR 749.5 million YtD and totalled EUR 13,489.5 million, mainly due to the continued inflow of deposits, which were placed in the securities in the banking book and loans to customers.

Total net loans to customers increased by 5% YtD and amounted to EUR 7,496.0 million (gross loans to customers: EUR 7,905.1 million, 4% higher YtD).

Deposits from customers increased by 5% YtD and derive mostly from deposits from individuals (EUR 464.6 million or 6%).

In the first nine months, two new subordinated Tier 2 transactions were concluded in the cumulative amount of EUR 90.3 million (carrying amount).

The LTD ratio (net) was 67.9% at the Group level; a decrease of 0.4 p.p. YtD as a result of increased deposits, which was partially neutralized by growing, but still moderate demand for loan.

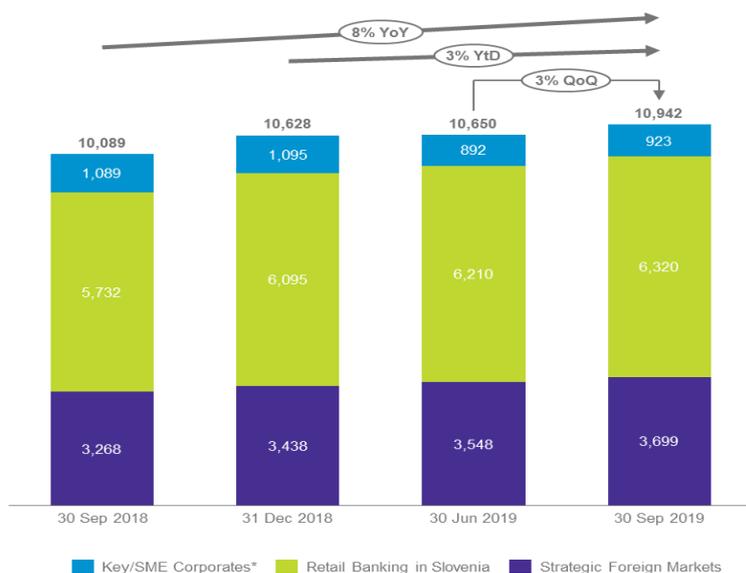
Figure 7: NLB Group gross loans to customers by Key business activities (in EUR million)



*Including Gross loans to Corporate and to State

Key business activities recorded a 7% increase of gross loans to customers YoY to EUR 7,388.8 million. YoY increase of gross loans to customers was recorded in Strategic Foreign Markets (EUR 208.4 million), in Retail Banking in Slovenia (EUR 163.4 million of which EUR 38.1 million increase relates to the transfer of micro clients from the Corporate and Investment Banking in Slovenia segment) and in the Key/SME corporate segment (EUR 91.6 million).

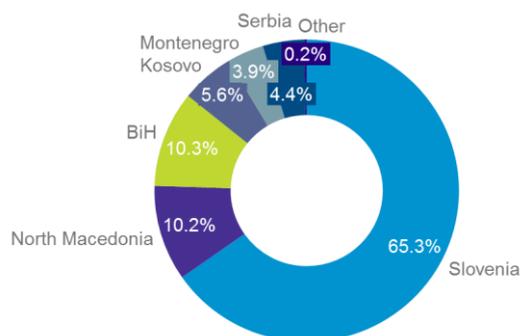
Figure 8: NLB Group deposits from customers by Key business activities (in EUR million)



*Including Deposits from Corporate and from State

Deposits from customers in Key business activities increased by 8% YoY where Strategic Foreign Markets and Retail Banking in Slovenia recorded a substantial increase (EUR 151.0 million and EUR 110.4 million on QoQ or EUR 430.2 million and EUR 588.4 million on YoY, respectively).

Figure 9: Total assets of NLB Group by booking entity (in %)⁵



Related-Party Transactions

A number of banking transactions are entered into with related parties in the normal course of business. The volume of related-party transactions mainly consists of loans issued, deposits, and deposits received. A detailed volume of those transactions is disclosed in the financial part of this report in section 6.

Notes:

⁵ Geographical analysis based on the booking entity.

Segment Analysis

Segments of the Group are divided into core and non-core segments.

The core segments are the following:

- Retail Banking in Slovenia, which includes banking with individuals and asset management, as well as the results of the jointly-controlled company NLB Vita and the associated company Bankart.
- Corporate and Investment Banking in Slovenia, which includes banking with Key Corporate Clients, SMEs, Investment Banking and Custody, and Restructuring and Workout.
- Financial Markets in Slovenia include treasury activities and trading in financial instruments, while they also present the results of asset and liabilities management (ALM).
- Strategic Foreign Markets, which include the operations of strategic Group banks on strategic markets (Bosnia and Herzegovina, Montenegro, Kosovo, North Macedonia, and Serbia).

Non-Core Members include the operations of non-core Group members according to the EC commitments, REAM entities, NLB Srbija and NLB Crna Gora.

Other accounts for the categories whose operating results cannot be allocated to specific segments, such as the external realization, rents and impairments on real estates, restructuring costs and income and tax.

From 2019, some shifts in reporting of business segments have been applied, following the completion of the restructuring process imposed by the EC and also reflecting strategic streamlining of business operations within the corporate segment as follows:

- Results from Investment Banking and Custody Services have been transferred from Financial Markets in Slovenia to an enlarged Corporate and Investment Banking in Slovenia.
- Micro clients in Slovenia have been transferred from Corporate and Investment Banking in Slovenia to Retail Banking in Slovenia.
- Corporate exposures previously reported in Non-Core Markets and Activities have been transferred to Corporate and Investment Banking in Slovenia given that special reporting requirements from EC commitments have ceased to apply. The remaining segment has been renamed Non-Core Members and contains non-core subsidiaries mostly in liquidation.
- Further, the SPVs established for NPLs from banks in Serbia and Montenegro, NLB Srbija and NLB Crna Gora, have been transferred from Strategic Foreign Markets to Non-Core Members.

Due to the new methodology, the segment results for 2019 are not directly comparable to the segment results from the previous year. The table below presents the estimated effects due to the segment changes for the full year 2018.

Table 7: Estimated effects of the segment methodology changes for 2018

	Retail banking in Slovenia	Corporate and Investment banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members	Other
in EUR million						
Net interest income	3.1	1.8	0.5	-0.3	-5.1	
Net non-interest income	4.6	2.3	-1.8	-8.2	3.2	
Total costs*	-6.1	-4.4	1.4	6.1	3.0	no effects
Impairments and provisions*	-0.9	6.6	1.4	0.0	-7.1	
Result before tax	0.7	6.3	1.5	-2.4	-6.1	
Total assets	37.1	-9.5	-43.5	47.9	-32.1	
Gross loans to customers	38.1	111.8	-69.0	-0.1	-80.8	no effects
Deposit from customers	188.1	-107.6	0.0	-71.0	-9.6	

*negative value=increase, positive value=decrease

Retail Banking in Slovenia

Financial Highlights

- **Profit before tax** amounted to EUR 39.6 million, 35% increase YoY, mostly due to higher net interest and net non-interest income.
- **Net interest income** was higher YoY due to higher interest rates and growth in volume of gross loans in the amount of EUR 163.4 million YoY (EUR 70.3 million YtD), of which EUR 38.1 million increase relates to the transfer of micro clients from the Corporate segment. The production of new consumer loans in the first nine months amounted to EUR 96.0 million (EUR 77.9 million in the same period of 2018), which led to an increase of balance by EUR 103.6 million YoY (53.8 million YtD). The balance of housing loans increased by EUR 31.2 million YoY (EUR 25.1 million YtD), despite a lower production of new housing loans YoY (EUR 57.6 million vs EUR 62.3 million in the first nine months of 2018). The share of consumer loans in all gross loans increased to 29% (from 26% at the end of September 2018).
- The segment recorded EUR 56.9 million of **net non-interest income**. The comparison shows EUR 7.5 million increase YoY, of which EUR 5.9 million due to increase in **net fee and commission income**, most increase (EUR 3.6 million) is assessed as the effect of the transfer of micro clients from Corporate to Retail. In Q3, the segment recorded EUR 21.7 million of net non-interest income, higher by EUR 6.6 million or 43% QoQ, mostly due to DGS and SRF expenses (EUR 5.8 million).
- Considering the effect of the change in segment presentation (approximately EUR 4.5 million), the **total costs** were EUR 1.7 million higher YoY.
- The presentation of the increase in **deposits from customers** YtD (EUR 224.6 million) is mostly due to the transfer of micro clients from the corporate segment (EUR 188.1 million) and an increase in demand deposits from retail clients.

Business Highlights

- NLB Pay mobile wallet with digitized Maestro, Mastercard and Visa cards enabling paying, cash withdrawal and cards' management.
- NLB Skladi mobile application for an easy and simple review of invested funds.

Table 8: Key financials of Retail Banking in Slovenia⁶

Retail banking in Slovenia									
in EUR million consolidated									
	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ		
Net interest income	65.6	56.8	8.8	15%	21.4	21.2	0.2	1%	
Net non-interest income	56.9	49.4	7.5	15%	21.7	15.1	6.6	43%	
o/w Net fee and commission income	61.1	55.2	5.9	11%	21.2	20.4	0.8	4%	
Total net operating income	122.5	106.2	16.3	15%	43.1	36.3	6.8	19%	
Total costs	-84.1	-77.9	-6.2	-8%	-28.9	-28.4	-0.5	-2%	
Result before impairments and provisions	38.3	28.3	10.1	36%	14.2	7.9	6.3	79%	
Impairments and provisions	-2.9	-3.0	0.1	5%	-1.1	-0.7	-0.4	-48%	
Net gains from investments in subsidiaries, associates, and JVs'	4.2	4.1	0.0	1%	1.6	1.4	0.2	18%	
Result before tax	39.6	29.4	10.3	35%	14.8	8.6	6.2	72%	
	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YTD		Change YoY		Change QoQ
Net loans to customers	2,347.5	2,296.6	2,277.1	2,184.8	70.3	3%	162.7	7%	2%
Gross loans to customers	2,375.3	2,323.2	2,305.0	2,211.9	70.3	3%	163.4	7%	2%
Housing loans	1,401.9	1,390.2	1,376.8	1,370.7	25.1	2%	31.2	2%	1%
Interest rate on housing loans	2.55%	2.54%	2.54%	2.50%	0.01 p.p.		0.05 p.p.		0.01 p.p.
Consumer loans	682.2	656.5	628.4	578.7	53.8	9%	103.6	18%	4%
Interest rate on consumer loans	6.32%	6.29%	6.28%	5.81%	0.04 p.p.		0.51 p.p.		0.03 p.p.
Other	291.1	276.6	299.7	262.5	-8.6	-3%	28.6	11%	5%
Deposits from customers	6,320.0	6,209.6	6,095.4	5,731.6	224.6	4%	588.4	10%	2%
Interest rate on deposits	0.05%	0.06%	0.06%	0.09%	-0.01 p.p.		-0.04 p.p.		-0.01 p.p.
Non-performing loans (gross)	43.3	43.0	43.9	42.8	-0.6	-1%	0.4	1%	1%
	1-9 2019	1-9 2018	Change YoY						
Cost of risk (in bps)	12	11	1						
CIR	68.7%	73.4%	-4.7 p.p.						
Interest margin	2.07%	1.95%	0.12 p.p.						

The Bank maintained the leading position with a market share of 23.1% in retail lending (2018 YE: 23.2%) and 30.5% (2018 YE: 30.3%) in deposit-taking.

NLB Pay mobile wallet enables clients with digitized Maestro, Mastercard and Visa cards to make payments at point of sale terminals and withdraw cash from contactless ATMs in and outside Slovenia. Beside cash withdrawal NLB Pay also enables checking of the balance of the remaining limit of Maestro, MasterCard and Visa cards. With upgrades of the application the Bank ensures even greater user experience and increases safety of card operations.

Payments with contactless and digitized cards will be even faster and easier with the limit of a single payment without PIN being increased in October from EUR 15 to EUR 25. The safety of the payment remains to be well taken care of.

The Bank continues to encourage clients to use paperless solutions. E-statements are available to all clients free of charge from Q1 on.

The mobile bank Klikin continues to be upgraded and the total number of users increased by 37.4% YoY to 221,107 users (or 34.2% of the Bank's customers), thus quickly becoming a preferred way to conduct banking business with the Bank. Applications NLB Klik and Klikin were upgraded in accordance with the European PSD2 Regulation, which stipulates, among other, further enhancement of security for clients when executing payment services.

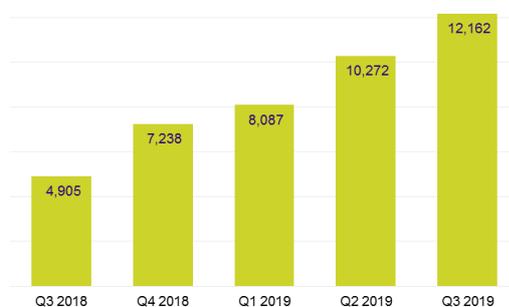
NLB is the only bank in Slovenia to offer a video call service 24/7. This service has been available for two years already. With the video call, the digital experience is getting closer to the classic branch office, which can also be noticed in the healthy pickup (143% increase YoY) in the use of this channel. The Bank has

Notes:

⁶ Due to the new methodology, the results of this segment for 2019 are not directly comparable to its results from the previous year. The quarterly results of the segment as presented here are comparable.

also adapted the video call to the users with hearing disabilities and provides for the presence of an interpreter. This makes the performing of the basic banking services easier and enables these customers to be more involved in the world of people without hearing impairments.

Figure 10: Use of the video call functionality (no. of contacts)



The NLB Skladi market share increased to 33.29% (30 September 2018: 31.49%). The company continues to be ranked first in Slovenia in the amount of net-inflows with EUR 47.9 million in 2019. The company remained the largest asset management company and the largest mutual funds management company in Slovenia. The total assets under management were EUR 1,436.4 million (30 September 2018: EUR 1,286.4 million), of which EUR 949.1 million in mutual funds (30 September 2018: EUR 858.4 million) and EUR 478.3 million in the discretionary portfolio (30 September 2018: EUR 428 million). In July, a new mobile application was implemented, through which it is possible to easily and safely view the balances of saved funds and the history of payments, simulate potential tax liabilities, access the publications, and edit personal information.

NLB Vita charged EUR 62.3 million in gross written premium (1-9 2018: EUR 57.75 million), of which EUR 59.2 million was in life insurance (1-9 2018: EUR 54.9 million). The market share of the insurance company, excluding the pension companies, stood at 15.7% at the end of September (end of September 2018: 14.8%), which put NLB Vita third among the standard life insurance providers in Slovenia.

Corporate and Investment Banking in Slovenia

Financial Highlights

- **Profit before tax** amounted to EUR 47.9 million, 19% increase YoY, of which EUR 4.3 million due to change in the segment presentation.
- **Net interest income** decreased by EUR 3.4 million YoY, despite EUR 1.6 million increase due to change in the segment presentation. The segment of **gross loans to customers** was affected by the change in the segment presentation in the net amount of EUR 111.8 million (EUR +149.8 million due to transfer from NLB Non-Core and EUR -38.1 million due to the transfer of micro clients to Retail). Key and SME clients recorded the growth in gross loans mostly due to production of new long-term loans, especially in Q3. The gross loans to the state recorded a decrease of EUR 33.0 million YoY (EUR 25.8 million YtD).
- **Net fee and commission income** increased EUR 2.7 million YoY of which most represents the effect of the change in segment presentation (positive effects of EUR 5.0 million and EUR 0.6 million due to inclusion of Investment banking and previously Non-Core Corporate exposures in the segment, respectively, and negative effect of EUR -3.6 million due to the transfer of micro clients to Retail).
- **Total costs** stayed on the same level (EUR 0.3 million YoY decrease), despite higher costs due to the change in the segment presentation.
- **Impairments and provisions** were released in the amount of EUR 17.8 million as a result of successful restructuring and sale of pledged real estate.
- The **Investment Banking and Custody** recorded non-interest income in the amount of EUR 7.1 million and has increased by EUR 0.7 million YoY. Total income growth is the result of a larger volume of transactions and tariff adjustments. The total value of assets under custody decreased to EUR 14.4 billion (end of September 2018: EUR 15.8 billion).

Business Highlights

- The Bank actively exploits cross-border opportunities.
- The new online application for purchase of receivables (NLB Odkup terjatev) simplifies access to short-term financial sources.
- Strong performance on debt capital markets by arranging two international benchmark issues for Slovenian issuers.

Table 9: Key Financials of Corporate and Investment Banking in Slovenia⁷

in EUR million consolidated		Corporate and Investment banking in Slovenia							
	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ		
Net interest income	28.4	31.8	-3.4	-11%	8.7	8.9	-2%		
Net non-interest income	33.4	24.7	8.7	35%	8.9	9.0	-1%		
o/w Net fee and commission income	24.6	21.9	2.7	12%	8.5	7.9	7%		
Total net operating income	61.7	56.5	5.3	9%	17.6	17.9	-2%		
Total costs	-31.6	-31.9	0.3	1%	-10.8	-10.7	-1%		
Result before impairments and provisions	30.1	24.6	5.6	23%	6.8	7.2	-6%		
Impairments and provisions	17.8	15.8	2.0	13%	14.9	-0.4	-		
Result before tax	47.9	40.4	7.6	19%	21.7	6.8	-		
	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YTD		Change YoY		Change QoQ
Net loans to customers	2,031.2	1,947.9	1,950.4	1,959.7	80.8	4%	71.5	4%	4%
Gross loans to customers	2,179.5	2,110.0	2,061.0	2,082.9	118.5	6%	96.6	5%	3%
Corporate	1,998.8	1,922.1	1,854.4	1,869.1	144.4	8%	129.7	7%	4%
Key/SME Corporates	1,779.0	1,666.4	1,697.2	1,654.6	81.8	5%	124.4	8%	7%
Interest rate on Key/SME Corporates loans	1.83%	1.85%	1.87%	1.93%	-0.04 p.p.		-0.10 p.p.		-0.02 p.p.
Investment banking*	0.1	0.1	0.1		-		-		-
Restructuring and Workout	219.7	255.6	290.4	214.5	-70.7	-24%	5.2	2%	-14%
State	180.3	187.6	206.1	213.3	-25.8	-13%	-33.0	-15%	-4%
Interest rate on State loans	1.98%	2.19%	2.84%	1.76%	-0.86 p.p.		0.22 p.p.		-0.21 p.p.
Deposits from customers	1,014.5	992.3	1,120.8	1,116.3	-106.3	-9%	-101.8	-9%	2%
Interest rate on deposits	0.07%	0.07%	0.07%	0.07%	0.00 p.p.		0.00 p.p.		0.00 p.p.
Non-performing loans (gross)	188.2	231.4	262.8	194.3	-74.6	-28%	-6.1	-3%	-19%
	1-9 2019	1-9 2018	Change YoY						
Cost of risk (in bps)	-87	-63	-24						
CIR	51.2%	56.5%	-5.3 p.p.						
Interest margin	2.25%	2.48%	-0.23 p.p.						

*Investment banking was shown as separate part of this segment before 2019. Profit before tax of Investment banking 1-6 2018 in amount EUR 1.3 million.

The Bank is the leading bank in servicing corporate clients in Slovenia with by far the largest client base. It has a 17.7% market share in corporate loans (end of 2018: 18.2%), and 23.1% (end of 2018: 24.5%) in guarantees and letters of credit. The Bank is increasingly focused on mid-sized and small enterprises.

The number of Klikpro users also continued to grow in Q3 with a 25.2% YoY increase. This digital channel provides several attractive functionalities, such as Express Loan and Express Overdraft up to EUR 30,000 with no additional documentation, collateral or visit to the bank's office required and they were welcomed by the clients. The NLB Proklik and Klikpro applications were upgraded in accordance with the European PSD2 Regulation, which among other things stipulates also further security enhancements for the clients when executing payment services.

NLB Odkup terjatev, a fully-digitized and user-friendly online application for the purchase of receivables was made available to companies. It provides quick and simple access to short-term financial resources without additional borrowing.

The Bank has actively started to exploit business opportunities in the SEE by concluding several transactions in the total amount of EUR 105 million. With them the Group further solidified its position as the key regional banking partner in its core markets and the leading regional bank with a full range of Corporate and Investment Banking services and the strength of the Group balance sheet available for financing.

The Bank arranged EUR 250 million worth of issuance in debt instruments for Slovenian clients. Acting as a mandated lead arranger, the Bank organised syndicated loans in the total amount of EUR 254 million. It was active in M&A and other financial advisory engagements, as the sole financial advisor it successfully

Notes:

⁷ Due to the new methodology, the results of this segment for 2019 are not directly comparable to its results from the previous year. The quarterly results of the segment as presented here are comparable.

organised several takeover bids. Within the scope of brokerage services, the Bank executed client's buy and sell orders in the total amount of EUR 786.2 million (1-9 2018: EUR 725.2 million), while in the area of dealing in financial instruments the Bank executed FX spot deals in the total amount of EUR 572.4 million (1-9 2018: EUR 626.5 million) and for EUR 219.3 million (1-9 2018: EUR 302.4 million) worth of deals with derivatives.

In the custody services for Slovenian and international investors, the Bank remains the leading provider of such services in Slovenia. The total value of assets under custody, together with the fund administration services, is EUR 14.4 billion (end of September 2018: EUR 15.8 billion).

Strategic Foreign Markets

Financial Highlights

- **Profit before tax** amounted to EUR 72.0 million, 14% decrease YoY, due to one-off effect of the sale of NLB Nov penziski fond in Q1 2018.
- Increase of **net interest income** by EUR 7.0 million YoY was recorded on behalf of higher volumes (EUR 208.4 million increase of gross loans to customers YoY), despite the falling trend of interest margins.
- **Net non-interest income** decreased EUR 12.5 million YoY, despite EUR 3.6 million increase in **net fee and commission income**, mostly due to one-off effect of the sale of NLB Nov penziski fond in Q1 2018.
- **Total costs** increased by EUR 3.7 million YoY, of which EUR 1.1 million due to change in segment presentation.
- **Impairments and provisions** net established in the amount of EUR 6.0 million in the first nine months (of which EUR 2.7 million due to established provisions for pending legal disputes in NLB Banka, Podgorica), while in the same period of 2018 EUR 3.4 million.
- **Gross loans to customers** increased by EUR 127.1 million YtD due to increase in gross loans in most subsidiary banks, the largest increases were recorded in NLB Banka, Beograd (EUR 48.9 million) and NLB Banka, Prishtina (EUR 41.6 million). High increase was negatively affected by the change in segment presentation (EUR -69.0 million).

Business Highlights

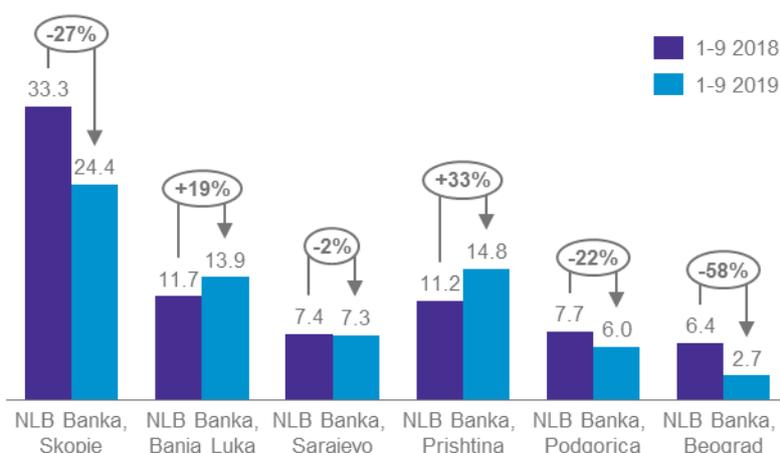
- The subsidiary banks generated a net profit.
- Group solution NLB Pay introduced by NLB Banka, Skopje, NLB Banka, Sarajevo and NLB Banka, Prishtina.
- The subsidiary banks received several awards.

Table 10: Key Financials of Strategic Foreign Markets⁸

in EUR million consolidated									
Strategic foreign markets									
	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ		
Net interest income	117.6	110.6	7.0	6%	39.7	39.2	1%		
Net non-interest income	37.8	50.3	-12.5	-25%	14.1	11.7	21%		
o/w Net fee and commission income	40.5	36.9	3.6	10%	14.7	13.5	9%		
Total net operating income	155.4	160.9	-5.4	-3%	53.8	50.9	6%		
Total costs	-77.5	-73.8	-3.7	-5%	-26.4	-25.7	-3%		
Result before impairments and provisions	77.9	87.0	-9.1	-10%	27.4	25.2	9%		
Impairments and provisions	-6.0	-3.4	-2.6	-78%	1.1	-3.9	-		
Result before tax	72.0	83.7	-11.7	-14%	28.5	21.3	34%		
o/w Result of minority shareholders	6.2	6.7	-0.5	-8%	2.4	1.8	32%		
	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YtD		Change YoY		Change QoQ
Net loans to customers	2,907.9	2,835.6	2,718.0	2,624.1	189.9	7%	283.8	11%	3%
Gross loans to customers	3,059.9	2,998.7	2,932.7	2,851.5	127.1	4%	208.4	7%	2%
Individuals	1,555.2	1,514.6	1,438.1	1,400.0	117.1	8%	155.2	11%	3%
Interest rate on retail loans	6.76%	6.78%	6.80%	7.13%	-0.04 p.p.		-0.37 p.p.		-0.02 p.p.
Corporate	1,414.7	1,400.0	1,405.0	1,359.1	9.8	1%	55.6	4%	1%
Interest rate on corporate loans	4.54%	4.62%	4.71%	4.92%	-0.16 p.p.		-0.38 p.p.		-0.08 p.p.
State	90.0	84.1	89.6	92.4	0.3	0%	-2.5	-3%	7%
Interest rate on state loans	4.12%	4.21%	4.23%	4.32%	-0.11 p.p.		-0.20 p.p.		-0.09 p.p.
Deposits from customers	3,698.6	3,547.6	3,438.1	3,268.5	260.5	8%	430.2	13%	4%
Interest rate on deposits	0.54%	0.55%	0.56%	0.63%	-0.02 p.p.		-0.09 p.p.		-0.01 p.p.
Non-performing loans (gross)	132.6	147.0	146.2	234.9	-13.6	-9%	-102.3	-44%	-10%
	1-9 2019	1-9 2018	Change YoY						
Cost of risk (in bps)	3	2	0						
CIR	49.9%	45.9%	4.0 p.p.						
Interest margin	3.63%	3.84%	-0.21 p.p.						

Notes:

⁸ Due to the new methodology, the results of this segment for 2019 are not directly comparable to its results from the previous year. The quarterly results of the segment as presented here are comparable.

Figure 11: Net profit of strategic NLB Group banks⁹ (in EUR million)

All the subsidiary banks finished the first nine months with net profit. This was partly on one hand result of cost efficiency improvements, wherein four of the subsidiary banks had CIR below 50% – NLB Banka, Prishtina (33.5%), NLB Banka, Skopje (40.7%), NLB Banka, Banja Luka (42.8%) and NLB Banka, Podgorica (49.8%), while Sarajevo is approaching (50.9%), and on the other hand relatively low net established impairments or net release of impairments. Lending activity in the segment of non-banking sector slightly intensified across the subsidiary banks. Compared to the end of 2018, the largest increase was realized by NLB Banka, Beograd (29% increase YtD) and NLB Banka, Prishtina (16% increase YtD). Net profit (IFRS) of NLB Banka, Podgorica and NLB Banka, Beograd includes a negative impact of some legal disputes.

Close cooperation in the corporate segment between NLB and other Group subsidiary banks (NLB Banka, Prishtina; NLB Banka, Beograd; NLB Banka, Banja Luka; NLB Banka, Podgorica; and NLB Banka, Skopje), showing proactive approach of local teams and regional strength of the Group, yielded results with the involvement in several transactions supporting the Group's corporate clients in Kosovo, Serbia, Bosnia and Herzegovina, Montenegro and North Macedonia.

Subsidiary banks are gradually introducing new digital services and upgrading existing products. Good examples are Mobile wallet (NLB Pay) which has already been offered to clients by NLB Banka, Skopje, NLB Banka, Sarajevo and NLB Banka, Prishtina.

In the first nine months, the subsidiary banks received several awards for various aspects of their activities. NLB Banka, Prishtina was awarded as the most active issuing Bank in Kosovo for using Trade Facilitation Programme of the EBRD for year 2018. NLB Banka, Skopje was awarded by the financial magazine EMEA for the Best Bank in the country in 2018 (Europe Banking Awards 2018), and by the Macedonian Stock Exchange in the category of the most transparent company ("Crystal Bell" for the 3rd place), and for the largest turnover (3rd place). NLB Banka, Podgorica was awarded as the best bank in Montenegro for year 2019 by Euromoney.

Notes:

⁹ Data on the stand-alone basis as included in the consolidated financial statements of the Group.

Financial Markets in Slovenia

Financial Highlights

- **Net interest income** on the same level YoY, mostly due to higher volumes, since the yields on securities decreased YoY.
- Higher **net non-interest income**, EUR 1.6 million YoY, mostly due to active management of banking book securities, which positively affected the net income from financial transactions mostly in Q1.
- Continuation of prudent liquidity reserves management.
- Decrease in balances with the central bank (EUR 197.6 million YtD) and increase in banking book securities (EUR 129.0 million YtD).

Business Highlights

- The Bank completed two Tier 2 subordinated transactions, issuing notes and raising a loan, with the aim to strengthen and optimize the capital structure in the total amount of EUR 90 million.

Table 11: Key Financials of Financial Markets in Slovenia¹⁰

in million EUR consolidated									
Financial markets in Slovenia									
	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ		
Net interest income	25.2	25.2	0.0	0%	9.3	9.9	-6%		
Net non-interest income	1.8	0.2	1.6	-	0.2	-0.6	-		
Total net operating income	26.9	25.3	1.6	6%	9.5	9.3	3%		
Total costs	-5.2	-4.9	-0.2	-5%	-1.6	-1.8	12%		
Result before impairments and provisions	21.8	20.4	1.4	7%	7.9	7.4	7%		
Impairments and provisions	-0.5	0.1	-0.6	-	0.0	-0.1	80%		
Result before tax	21.3	20.5	0.7	4%	7.9	7.3	9%		
	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YtD		Change YtD		Change QoQ
Balances with Central banks	468.8	520.2	666.3	627.1	-197.6	-30%	-158.3	-25%	-10%
Banking book securities	3,053.1	2,983.4	2,924.1	2,663.5	129.0	4%	389.6	15%	2%
<i>Interest rate on banking book securities</i>	<i>1.04%</i>	<i>1.07%</i>	<i>1.10%</i>	<i>1.25%</i>	<i>-0.06 p.p.</i>		<i>-0.21 p.p.</i>		<i>-0.03 p.p.</i>
Wholesale funding*	170.6	235.3	244.0	252.4	-73.4	-30%	325.8	129%	-27%
<i>Interest rate on wholesale funding*</i>	<i>0.48%</i>	<i>0.49%</i>	<i>0.51%</i>	<i>0.49%</i>	<i>-0.03 p.p.</i>		<i>-0.01 p.p.</i>		<i>-0.01 p.p.</i>
Subordinated liabilities	90.3	44.9	-	-	-	-	-	-	-
<i>Interest rate on subordinated liabilities</i>	<i>4.22%</i>	<i>4.20%</i>	-	-	-	-	-	-	-

* Item includes only borrowings, till 30 June 2019 it included also deposits from banks.

The main mission of this segment continued to be the Group's activities on the international financial markets, including treasury operations. In the challenging environment of low interest rates on financial markets the major focus was on prudent liquidity reserves management and compliance with the regulatory requirements.

Making a decisive move in the direction of capital optimization the Bank issued in May self-arranged 10NC5 subordinated Tier 2 notes in the nominal amount of EUR 45 million with a fixed coupon during the first five years of 4.2% p.a. (thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as defined at the issuance of the notes, i.e. 4.159% p.a.). The notes were admitted to trading on the regulated market of the Ljubljana Stock Exchange, bond segment. The transaction was supported by the domestic as well as foreign institutional investors. In addition, in September the Bank concluded a bilateral loan and raised the amount of EUR 45 million of subordinated Tier 2 debt. Both transactions, the notes and loan, are aimed to strengthen and optimize the capital structure.

Notes:

¹⁰ The segment Financial Markets in Slovenia was in the previous reports shown without Investment Banking, so the results are comparable with the previous year.

Non-Core Members

Financial Highlights

- The segment recorded EUR 4.7 million decrease of **net operating income** YoY and was affected by the transfer of NLB non-core part to Corporate (approximately EUR -3.7 million) and transfer of NLB Srbija and NLB Crna Gora from the Strategic foreign markets (EUR +0.8 million); effect on **net non-interest income** from contractual penalty (EUR +1.3 million) in Q1.
- Decrease in **total costs**, EUR 3.9 million YoY, due to divestment of non-strategic Group members and transfer of NLB non-core part to Corporate (approximately EUR -3.3 million) and transfer of NLB Srbija and NLB Črna Gora from Strategic foreign markets (EUR +1.1 million).
- A substantial decrease in **total assets** of the segment YoY (EUR 117.8 million, of which EUR 32.1 million due to change in segment presentation), which is in line with the divestment strategy of the non-core segment.

Business Highlights

- Signing of a non-core equity divestment (Share Purchase Agreement) resulting in valuation results of EUR 6.3 million.

Table 12: Key Financials of Non-Core members¹¹

in EUR million consolidated		Non-core members							
	1-9 2019	1-9 2018	Change YoY		Q3 2019	Q2 2019	Change QoQ		
Net interest income	2.2	7.5	-5.3	-71%	0.6	0.6	0.6	7%	
Net non-interest income	6.5	5.9	0.6	9%	2.2	1.5	0.7	46%	
Total net operating income	8.7	13.4	-4.7	-35%	2.8	2.1	0.7	35%	
Total costs	-9.9	-13.8	3.9	28%	-3.4	-3.4	-3.4	-1%	
Result before impairments and provisions	-1.3	-0.4	-0.8	-183%	-0.6	-1.3	-0.7	52%	
Impairments and provisions	1.3	9.3	-8.0	-86%	0.3	0.3	0.3	2%	
Result before tax	0.1	8.8	-8.8	-99%	-0.3	-1.0	0.7	69%	
	30 Sep 2019	30 Jun 2019	31 Dec 2018	30 Sep 2018	Change YtD		Change YoY		Change QoQ
Segment assets	192.9	205.8	263.7	310.6	-70.8	-27%	-117.8	-38%	-6%
Net loans to customers	83.8	93.3	160.9	200.0	-77.1	-48%	-116.2	-58%	-10%
Gross loans to customers	164.7	181.6	288.6	360.0	-123.9	-43%	-195.3	-54%	-9%
Investment property and property & equipment received for repayment of loans	81.1	84.4	68.5	74.6	12.6	18%	6.5	9%	-4%
Other assets	27.9	28.1	34.3	36.0	-6.4	-19%	-8.1	-22%	-1%
Deposits from customers	0.0	0.0	9.6	9.8	-9.6	-	-9.8	-	-
Non-performing loans (gross)	112.2	121.1	126.3	233.6	-14.2	-11%	-121.4	-52%	-7%
	1-9 2019	1-9 2018	Change YoY						
Cost of risk (in bps)	-173	-357	185						
CIR	114.4%	103.3%	31.4 p.p.						

The main objective of the non-core segment remained rigorous wind-down of all non-core portfolios and subsequent reduction of costs.

In the first nine months, the following changes in the status of non-strategic subsidiaries were made:

- Prospera Plus d.o.o., Ljubljana – v likvidaciji was deleted from the register of companies.
- NLB InterFinanz Praha s.r.o. Praha v likvidaci was deleted from the register of companies.
- CBSinvest d.o.o., Sarajevo was sold.
- REAM, Beograd, merged with SR-RE, Beograd.

Notes:

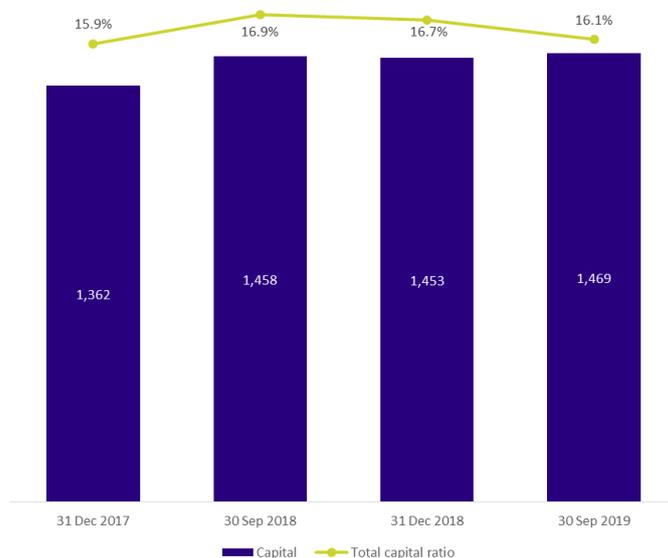
¹¹ Due to the new methodology, the results of this segment for 2019 are not directly comparable to its results from the previous year. The quarterly results of the segment as presented here are comparable.

- SR-RE d.o.o. was renamed into REAM d.o.o. Beograd.
- NLB Leasing, Sarajevo, performed a capital decrease in the amount of KM 6,500,759.20.
- 100% share of REAM, Zagreb, was transferred from the Bank to S-REAM, Ljubljana.
- Liquidation proceedings of NLB Leasing, Sarajevo, were initiated.

Capital and Liquidity

Capital

Figure 12: NLB Group Capital (in EUR million) and Total Capital Ratio (in %)



The Overall Capital Requirement (OCR) amounted to 14.75% for the Bank on the consolidated basis, consisting of:

- 11.25% TSCR (8% Pillar 1 Requirement and 3.25% Pillar 2 Requirement); and
- 3.5% CBR (2.5% Capital Conservation Buffer, 1% O-SII Buffer and 0% Countercyclical Buffer).

The applicable OCR requirement for 2019 was raised to 14.75%, due to the gradual phase-in of the capital conservation buffer as prescribed by the law and introduction of O-SII buffer. On the other hand, Pillar 2 Requirement decreased by 0.25 p.p. to 3.25%, as a result of better overall SREP assessment.

Pillar 2 Guidance (P2G) amounts to 1.0% of CET 1.

The capital of the Bank and the Group covers all the current and announced regulatory capital requirements, including capital buffers and other currently known requirements, as well as the P2G.

To strengthen and optimize the capital structure, the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 45 million on 6 May 2019 and concluded bilateral loan agreement to raise EUR 45 million of subordinated Tier 2 debt on 20 September 2019. While the instrument issued on 6 May 2019 has been included in the capital since 30 June 2019, the loan raised on 20 September 2019 is subject to BS/ECB approval process and has therefore not yet been included in the capital.

As at 30 September, the Total Capital Ratio for the Group stood at 16.1% (or 0.6 p.p. lower than at the end of 2018), and for NLB at 22.3% (or 1.8 p.p. lower than at the end of 2018). The Tier 1 ratio and CET 1 ratio

(15.6% or 1.1 p.p. lower than at the end of 2018) differs from the Total Capital Ratio due to new Tier 2 notes issued in May. The lower capital adequacy compared to the end of 2018 derives from higher RWA YtD (EUR 448.5 million for the Group) and the fact that the subordinated Tier 2 debt raised on 20 September 2019 in the amount of EUR 45 million has not yet been included in the capital due to pending BS/ECB approval process. In June 2019, NLB paid out dividends in the total amount of EUR 142.6 million, which represents EUR 7.13 gross per share. This decreased the capital by EUR 43.2 million, nevertheless, the Total Capital increased by EUR 15.2 million, mainly due to new Tier 2 notes (EUR 44.6 million) and higher other comprehensive income (EUR 14.6 million).

Table 13: Total Risk Exposure (in EUR million) for NLB Group

	30 Sep 2019	31 Dec 2018	30 Sep 2018	Change YtD
Total risk exposure amount (RWA)	9,126	8,678	8,607	5.2%
RWA for credit risk	7,627	7,180	7,102	6.2%
RWA for market risks + CVA	558	544	552	2.4%
RWA for operational risk	942	953	953	-1.2%

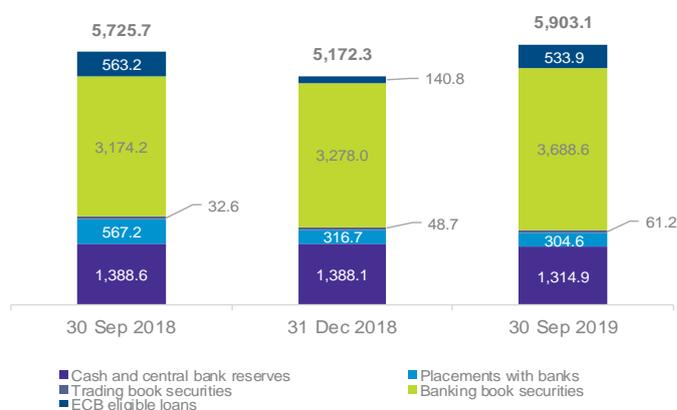
The RWA for credit risk increased by EUR 447.3 million YtD, of which on the corporate and retail segment¹² EUR 276.7 million due to loan growth.

Liquidity

The liquidity position of the Group remains strong, with LTD ratio (net) of 67.9%, thus meeting liquidity indicators high above the regulatory requirements as well as confirming the low liquidity risk tolerance of the Group.

Liquid assets of the Group amounted to EUR 5.90 billion (43.8% of total assets; 2018 year-end: EUR 5.17 billion, 40.6% of total assets), of which EUR 0.47 billion (2018 year-end: EUR 0.43 billion) were encumbered due to operational and regulatory requirements.

Figure 13: NLB Group liquid assets structure reflects a robust liquidity position (in EUR million)



Notes:

¹² Based on COREP segmentation.

The banking book securities portfolio, which represented 62.5% of the Group's liquid assets (2018 year-end: 63.4%), was dispersed appropriately in terms of issuers, countries, and remaining maturity, with the aim of adequate liquidity and interest risk management.

Driven by the low interest rate environment, the main change in the funding structure of the Group was the continued transformation of term-to-sight customer deposits, representing the key funding base. The share of sight customer deposits equalled 66.1% of total assets (2018 year-end: 65.0%).

Mid-Term Targets, Risk Factors and Outlook 2019

Mid-Term Targets Set Till 2023

Table 14: Key performance indicators

	1-9 / 30 Sept. 2019	1-9 / 30 Sept. 2018	Mid-term Targets
Net interest margin (NIM)	2.51%	2.54%*	> 2.7%
Loan to deposit (LTD) ratio	67.9%	69.1%	< 95.0%
Total capital ratio	16.1%**	16.9%	16.25%***
Costs to income ratio (CIR)	55.7%	57.0%	~ 50.0%
Cost of risk Net (bps)	-31	-45	< 90
NPE ratio (EBA definition)	3.5%	5.3%	< 4.0%
Return on equity after tax (ROE a.t.)	13.1%	11.9%	> 12.0%

* Interest margin data for 2018 are adjusted to the new methodology (calculation based on the number of days for the period); further analyses of interest margins are based on interest bearing assets.

** The ratio is above applicable OCR requirement for 2019.

*** Target total capital ratio is regularly revised by the competent bodies to reflect each time the applicable capital requirements.

In comparison to the strategic mid-term targets set till 2023, the Group is pursuing a range of activities to achieve all its strategic financial objectives. The environment has visibly changed, especially in the eurozone, given less benign interest rate outlook and likely further decreases of ECB deposit rates.

In September 2019, the Group approved the key elements of the new, comprehensive five-year strategy aimed to protect and strengthen its market position in its home region and actively participate in the growth and consolidation of the market. As the leading player, the Bank would like to best serve its clients' financial needs. In retail banking, the Bank is striving to increase its proximity to clients through anchor products and by offering more convenient, personalised lifestyle through digital services (e.g. omni-channel, marketplace). In corporate banking, the Bank is looking to cover more complex, cross-border needs of clients and find entry points to serving entire value chains.

Risk Factors

Risk factors affecting the business outlook are (among others): the economies' sensitivity to a potential slowdown in the eurozone, worsened interest rate outlook, regulatory and tax measures impacting the banks, and geopolitical uncertainties.

Economic momentum in the region where the Group operates is gradually slowing down, as the consequence of the global and eurozone economic slowdown, nevertheless it still remains favourable. The economic growth of the Group's region remains solid. In addition to that, structural unbalances and the economic slowdown in the environment where the Group operates might decrease consumer spending and industrial production and increase unemployment. Further consolidation of the banking sector in Slovenia can have an impact on the market competition.

Such circumstances could have an adverse impact on the Group's current operating results and related profitability, although no material impact is currently anticipated. Potential negative impacts could primarily be caused by the unfavourable low interest rate environment, lower interest margins and instability in financial markets.

In this regard, the Group closely follows macroeconomic indicators relevant to the Group's operations:

- GDP trends,
- Growth of loans in the banking sector,
- Economic sentiment,
- Unemployment,
- Consumer confidence,
- Construction sentiment,
- FX rates,
- Interest rate development and related future forecasts,
- other relevant market indicators.

Outlook 2019

The macro outlook suggests that countries where the Group operates are likely to experience growth at around three to four percent, if supported by loose monetary conditions, fiscal easing and solid domestic demand. The public debt in all those markets is below the EU average, accompanied by low household indebtedness and solid savings performance.

Considering these circumstances and presented risk factors, in 2019 the Group aims to achieve a single digit % increase of revenues and pre-provision profit with continued loan growth (in line with GDP dynamics) and stable net interest margin (NIM).

Costs are expected to moderately increase in a short-term period given some adjustments on senior management compensation post-privatisation, pressures on labour cost inflation throughout the region and continued investments into technological upgrades and digital client experience. However, the commitment to cost containment remains strong and the Bank continues to pursue a strong cost agenda addressing both labour and non-labour cost elements throughout the Group.

The cost of risk is expected to increase slightly in accordance with anticipated macroeconomic conditions, yet still remain at low levels (below the set mid-term targets).

Risk Management

The NLB Group puts a great emphasis on the risk culture and awareness of all relevant risks across the entire Group. The business and operating environment, relevant to the Group's operations, is very dynamic because of new trends, such as changing customer behaviour, emerging technologies and competitors, and new regulatory requirements. Consequently, risk management practices are keeping up with these changes with the aim of detecting and managing new and emerging risks.

The main risk principles are set forth by the NLB Group Risk Strategy, designed in accordance with the Group's business strategy and risk appetite orientations. A special focus is placed on the inclusion of risk analysis into the decision-making process at strategic and operating levels, diversification to avoid large concentration, optimal capital usage and allocation, appropriate risk-adjusted pricing, regular education/training at all management levels and overall compliance with internal policies, rules and regulations.

The Risk Management function focuses on managing and mitigating risks in line with the Group's Risk Appetite and Risk Strategy, thus representing the foundation of the Group's Risk Management Framework. Within these frameworks, the Group monitors a wide range of risk metrics to make sure the Group's risk profile is in line with its Risk Appetite. In addition, the Group is constantly enhancing its risk management system, consistently adding various ICAAP, ILAAP, Recovery Plan, and other internal stress-testing capabilities to the risk management system. Moreover, the ICAAP process was substantially upgraded in accordance with the newly published ECB guidelines, including its stronger integration into the overall risk management system to provide proactive support for informed decision-making.

The MREL requirement for the Group is based on the Multiple Point of Entry (MPE) approach. It is set as the percentage of Total Liabilities and Own Funds (TLOF) at the sub-consolidated level of the NLB Resolution Group (the Bank and non-core part of the Group). On 17 May, the Bank received a decision by the Bank of Slovenia relating to the MREL requirement, which is 17.93% of TLOF at the sub-consolidated level of the NLB Resolution Group. The transition period to reach the MREL requirement is until 30 June 2023 and from that date onwards it is required to be met at all times. The Group made the implementation of MREL requirement a part of its risk appetite and the MREL ratio is regularly monitored.

One of the key Risk Management goals is to maintain a prudent level of the Group's capital adequacy. The Group monitors its capital adequacy at the level of the Group as well as individual subsidiary banks in accordance with the Risk Appetite, applying also the established ICAAP process under the normal and stressed conditions. As at 30 September, the Group had a very solid capital adequacy ratio of 16.1%. The CET1 ratio, representing the capital of highest quality, stood at 15.6%, which is above the EU average as published by the EBA. In line with the SREP, CET 1 and the total capital ratio, the Group meets fully-loaded regulatory requirements applicable to 2019.

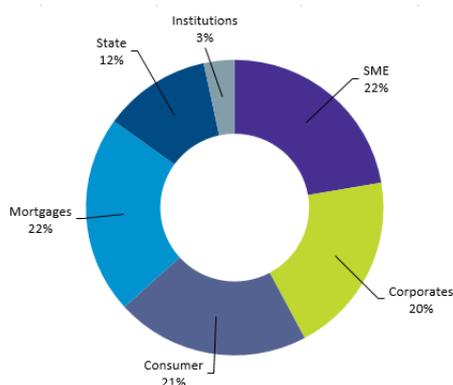
Maintaining solid liquidity levels and structure is the next very important risk target. The Group has a very strong liquidity position at the level of the Group as well as individual subsidiary banks, which is well above the risk appetite with the LCR of 344% and unencumbered eligible reserves in the amount of EUR 5.3 billion. Even if the stress scenario were to take place, the Group has sufficiently high liquidity reserves in the form of placements at the ECB, prime debt securities, and money market placements. The main

funding base of the Group at the Group and individual subsidiary bank level predominately consists of customer deposits in the retail segment, representing a very stable and constantly growing base. A very comfortable level of LTD of 67.7% gives the Group the opportunity to make further customer loan placements.

Maintaining a high credit portfolio quality is the most important goal, with the focus on the quality of new loans leading to a diversified portfolio of customers. A great emphasis is also placed on intensive and proactive handling of customers in distress, changes to the credit process and early warning system in order to detect growing credit risks. The restructuring approach is focused on the early detection of clients with potential financial difficulties and their proactive treatment. Moreover, the Group is constantly developing a wide range of advanced approaches facilitated by mathematical and statistical models in the segment of credit risk assessment in line with best banking practices to further enhance the existing risk management tools, while at the same time enabling greater customer responsiveness.

The Group's lending strategy focuses on its core markets in retail, SME and selected corporate business activities. On the Slovenian market, the focus is on providing appropriate solutions to retail and medium-sized companies, and small enterprise segments, whereas in the corporate segment the Bank maintains a business cooperation with selected corporate clients (through different types of lending/investment instruments). All other subsidiary banks in the SEE region, where the Group operates, are universal banks, mainly focusing on the retail segment and segment of medium-sized and small enterprises. Their primary goal is to provide comprehensive services to clients by taking into account prudent risk management principles. The current structure of credit portfolio (gross loans) consists of 43% of retail clients, 20% of large corporate clients, 22% of SMEs and micro companies, while the remainder of the portfolio consists of other liquid assets. There is no large concentration in any specific industry or client segment.

Figure 14: NLB Group structure of the credit portfolio (gross loans and advances) by segment¹³



The Group is actively present on the market, financing the existing and new creditworthy clients. The successful deleveraging of companies and new investment projects in Slovenia have had a positive influence on the approval of new loans. In retail, especially in the consumer loan segment, positive trends have been recorded throughout the region, as a result of clients' greater trust in economic developments and rising consumption alongside the related recovery in the real estate market. Efforts led to cumulatively

Notes:

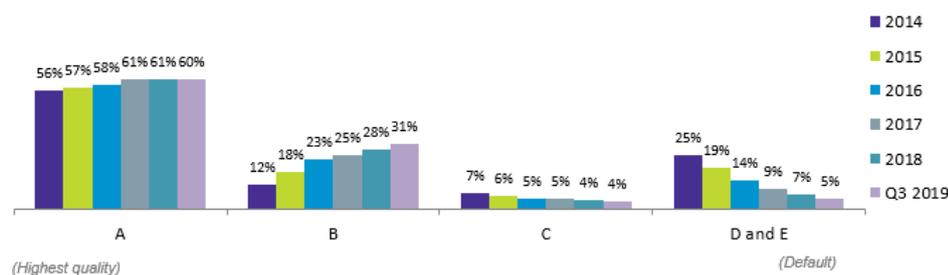
¹³ Gross exposures include also reserves at Central Banks and demand deposits at banks.

very low new NPL occurrences, which in the nine months amounted EUR 40.0 million, of which only EUR 3.9 million are accounted for by new business, which is 0.04% of the total portfolio. In addition, a favourable macroeconomic environment across the region resulted in a negative cost of risk, whose evolution was otherwise very stable and below mid-term strategic orientations.

The implementation of IFRS 9 strengthened the Group's capital basis, arising mainly from collective impairments due to very favourable macroeconomic trends and higher quality of credit portfolio. The majority of the Group's loan portfolio is classified as Stage 1 (89.1%), then 5.7% as Stage 2 and 4.9% as Stage 3. Loans in stages from 1 to 3 are measured at amortized cost, while the remaining fraction (0.3%) represents fair value loans through P&L (FVTPL). The portfolio quality was very stable with rising Stage 1 exposures and falling NPLs, which are below the Slovenian average.

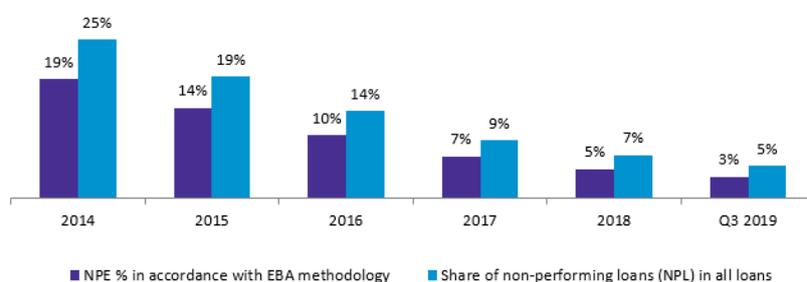
The Group strives to ensure the best possible collateral for long-term loans, i.e. mortgages in most cases. Thus, real estate mortgage is the most frequent form of loan collateral provided by both corporate and retail clients. In corporate loans, it is followed by government and corporate guarantees. In retail loans, the other most frequent loan collateral types are insurance companies and guarantors.

Figure 15: Structure of NLB Group credit portfolio by client credit ratings (in %) as at period end

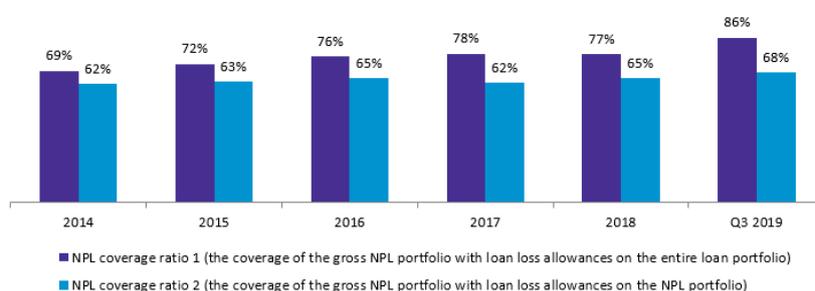


The reduction of NPLs at the Group level remained the key focus in Q3. Precisely set targets in the Group's NPL Strategy, proactive workout and macroeconomic recovery facilitated a further substantial reduction in the volume of the non-performing portfolio despite shrinking loan volumes. The existing non-performing credit portfolio stock in the Group was reduced from EUR 622 million to EUR 476 million in the first nine months. The combined result of all the effects resulted in a lower share of NPLs which decreased from 6.9% to 5.2%, while the internationally more comparable NPE ratio based on the EBA methodology was reduced from 4.7% to 3.5% YtD. A proactive approach to NPL management places a strong emphasis on restructuring, with increasing use of other NPL management tools such as foreclosures, sale of claims, proactive marketing and sale of pledged assets.

Figure 16: NLB Group NPE (NPE% by the EBA) and NPL ratio as at period end



An important strength of this Group is the NPL coverage ratio 1, which remains high at 86.0%. The Group's NPL coverage ratio 2 stands at 67.9%, which is well above the EU average as published by the EBA (44.9% for Q2 2019). As such, it enables further reduction of NPLs without significantly influencing the cost of risk in the next years. Moreover, it proves that on average the past reduction was done without any negative impact on the profit and loss account.

Figure 17: NLB Group Coverage ratio ¹⁴ and NLB Group NPL Coverage ratio 2¹⁵ as at period end

Regarding market risks, the Group pursues low risk appetite for market risk in the trading book. The exposure to trading (according to the CRR) is only allowed to be carried by the parent Bank as the main entity in the Group and it is very limited. The Bank maintains a small trading portfolio, mainly to monitor market signals in the global markets. As such it does not constitute a material risk to the Group's operations and its tolerance for interest rate and credit spread risk is very low.

The Group carries out its main business activities in euros, and the subsidiary banks, in addition to their domestic currencies, also operate in euros, which is the reporting currency of the Group. The Group's net open FX position from transactional risk is low at less than 1.1% of capital. Regarding structural FX positions on a consolidated basis, assets and liabilities held in foreign operations are converted into the euro currency at the closing FX rate on the balance sheet date. FX differences of non-euro assets and

Notes:

¹⁴ NPL coverage ratio 1 - The coverage of the gross NPL portfolio with impairments on the entire loan portfolio.

¹⁵ NPL coverage ratio 2 - The coverage of the gross NPL portfolio with impairments on the NPL portfolio.

liabilities are recognized in the other comprehensive income, and therefore affect shareholder's equity and CET 1 capital.

The Group's exposure to interest rate risk is moderate and arises mainly from the banking book positions. In the last three years, the Group recorded a growth of fixed interest rate loans and long-term banking book securities on the side of assets and transformation of deposits from term to sight as a result of low interest rate environment and excessive liquidity.

The Group manages interest rate positions and stabilizes its interest rate margin primarily with the pricing policy and fund transfer pricing policy. An important part of the interest rate risk management is presented by the banking book securities portfolio, whose purpose is to maintain adequate liquidity reserves and at the same time it also contributes to the stability of the interest rate margin. In addition, the Group also uses plain vanilla derivative financial instruments for interest rate risk management, such as interest rate swaps, overnight index swaps, cross currency swaps, and forward rate agreements.

Net interest income sensitivity of the Group would amount to EUR 14.1 million, if market interest rates increased by 50 bps, whereas if they decreased, the exposure would be lower due to zero floor clauses included in the loan contracts (EUR 13.6 million). From the EVE perspective, the capital sensitivity of 200 bps equals 7.7% of the Group's capital.

In the field of operational risk management, where the Group has established a robust operational risk culture, the main qualitative activities refer to the reporting of loss events and identification, assessment and management of operational risks. On this basis, control activities, processes and/or organization are performed. In Q3, additional efforts were made regarding proactive mitigation, prevention and minimization of potential damage in the future. Special attention was paid to the stress-testing system, based on the scenario analysis referring to potential high severity, low frequency events and modelling data on loss events. Furthermore, key risk indicators, serving as an early warning system for a broader field of operational risks (such as human resources, processes, systems and external conditions), were further enhanced. Their upgrade facilitates more detailed information for more effective planning of measures and operational risk management, improves the existing internal controls and enables reacting on time when necessary.

In addition, the Group was also diligently managing other, non-financial risks as a part of the internal capital allocation, referring to the Group's business model or arising from other external circumstances.

Corporate Governance

Management Board of the Bank

The Management Board of the Bank (Management Board) leads, represents, and acts on behalf of the Bank, independently and at its own discretion, as provided for by the law and the Bank's Articles of Association. In accordance with the Articles of Association, the Management Board has three to six members (the president and up to five members), which are appointed and dismissed by the Supervisory Board. The president and members of the Management Board are appointed for a five-year term of office and may be reappointed or dismissed early in accordance with the law and Articles of Association.

In Q3, there were no changes in the composition of NLB Management Board compared to H1 2019.¹⁶

Supervisory Board

The Supervisory Board of the Bank (Supervisory Board) carries out its tasks in compliance with the provisions of the laws governing the operations of banks and companies, as well as the Articles of Association of the Bank. In accordance with the two-tier governance system and the authorizations for supervising the Management Board, the Supervisory Board is, among other tasks, responsible for: issuing approvals to the Management Board in relation to the Bank's business policy and financial plan, the strategy of the Bank and the Group, organizing the internal control system, drafting an audit plan of the Internal Audit, all financial transactions (e.g. issuing of own securities, and equity stakes in companies and other legal entities), and supervising the performance of the Internal Audit. The Supervisory Board acts in accordance with the highest ethical standards, preventing any conflict of interest.

In Q3, there were no changes in the composition of NLB Supervisory Board and its committees compared to H1.

General Meeting

The shareholders exercise their rights related to the Bank's operations at General Meetings. The Bank's General Meeting pass decisions in accordance with the legislation and the Bank's Articles of Association. The authorizations of the General Meeting are stipulated in the Companies Act, Banking Act, and Articles of Association of the Bank. Decisions adopted by the General Meeting include, among others: adopt and amend the Articles of Association, use of distributable profit, grant a discharge from liability to the Management and Supervisory Board, changes to the Bank's share capital, appoint and discharge members of the Supervisory Board, remuneration and profit-sharing by the members of the Supervisory and Management Board and employees, annual schedules, and characteristics of issues of securities convertible to shares and equity securities of the Bank.

Notes:

¹⁶ Recent developments are available in Events after 30 September 2019 chapter.

Guidelines on Disclosure for Listed Companies

In accordance with Section 2.1.3, Point 2 of the Guidelines on Disclosure for Listed Companies, the Bank hereby states that no changes were made to the Management Board, Supervisory Board and Internal Audit of the Bank.¹⁷

Notes:

¹⁷ Recent developments are available in Events after 30 September 2019 chapter.

Events after 30 September 2019

On 21 October the 34th General Meeting of shareholders was held that adopted a decision on remuneration of the members of the NLB Supervisory Board and its committees.

On 30 October 2019, the Supervisory Board of NLB and the Management Board member of NLB László Pelle, Chief Operations Officer (COO), agreed on early termination of his mandate. Mr. Pelle will lead the area of operational business (COO) until 31 January 2020, so that the bank will continue to operate as usual.

On 19 November, the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 120 million. The fixed coupon of the notes during the first five years is 3.65% p.a., thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as provided at the issuance of the notes (i.e. 3.833% p.a). The notes with ISIN code XS2080776607 and rated BB by S&P rating agency were admitted to trading on the Euro MTF Market operated by the Luxembourg Stock Exchange on 19 November.

On 28 November, the Bank announced that it has received new decision establishing prudential requirement from ECB, which is applicable from 1 January 2020, leading to total SREP capital requirement (TSCR) of 10.75%, that includes minimum own funds of 8% (Pillar 1 Requirement) and own funds requirement of 2.75% (Pillar 2 Requirement; current Pillar 2 Requirement was reduced from 3.25% to 2.75%) to be held in excess of minimum own funds requirement on consolidated level. This decision together with applicable combined buffer requirement leads to overall capital requirement of 14.25%.

Unaudited Condensed Interim Financial Statements of NLB Group and NLB

as at 30 September 2019

Prepared in accordance with International Accounting
Standard 34 “Interim Financial Reporting”

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Condensed income statement

in EUR thousands

	Notes	NLB Group		NLB	
		nine months ended		nine months ended	
		Sep 2019	Sep 2018	Sep 2019	Sep 2018
		unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		267,187	261,696	131,206	130,235
Interest income, not using the effective interest method		5,544	5,022	5,479	5,081
Interest and similar income	4.1.	272,731	266,718	136,685	135,316
Interest and similar expenses	4.1.	(33,939)	(34,853)	(17,698)	(17,737)
Net interest income		238,792	231,865	118,987	117,579
Dividend income	4.2.	191	109	71,221	49,686
Fee and commission income	4.3.	173,720	162,025	102,777	98,811
Fee and commission expenses	4.3.	(46,863)	(42,066)	(24,711)	(23,412)
Net fee and commission income		126,857	119,959	78,066	75,399
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	3,756	664	3,641	254
Gains less losses from financial assets and liabilities held for trading	4.5.	7,270	6,903	1,886	2,075
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	16,329	2,805	15,203	3,838
Gains less losses from financial assets and liabilities designated at fair value through profit or loss		-	(56)	-	(56)
Fair value adjustments in hedge accounting		(13)	894	(13)	894
Foreign exchange translation gains less losses		871	445	656	(46)
Gains less losses on derecognition of assets other than held for sale		1,770	2,042	33	114
Other operating income	4.7.	11,943	13,520	6,129	6,182
Other operating expenses	4.8.	(22,633)	(22,045)	(11,087)	(12,314)
Administrative expenses	4.9.	(191,064)	(189,874)	(119,153)	(116,129)
Depreciation and amortisation		(23,313)	(20,500)	(13,410)	(13,084)
Gains less losses from modification		(179)	-	-	-
Provisions for credit losses	4.10.	(2,158)	4,769	(2,210)	1,663
Provisions for other liabilities and charges	4.10.	(4,645)	(1,386)	6	(25)
Impairment of financial assets	4.11.	17,791	18,437	17,089	16,464
Impairment of non-financial assets	4.11.	(1,254)	(2,851)	3,386	119
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		4,155	4,105	-	-
Gains less losses from non-current assets held for sale	4.12.	(237)	11,857	(129)	11,458
Profit before income tax		184,229	181,662	170,301	144,071
Income tax	4.13.	(15,784)	(16,625)	(7,321)	(9,497)
Profit for the period		168,445	165,037	162,980	134,574
Attributable to owners of the parent		162,246	158,326	162,980	134,574
Attributable to non-controlling interests		6,199	6,711	-	-
Earnings per share/diluted earnings per share (in EUR per share)		8.11	7.92	8.15	6.73

Condensed income statement – for three months ended September

in EUR thousands

	Notes	NLB Group		NLB	
		three months ended		three months ended	
		Sep 2019	Sep 2018	Sep 2019	Sep 2018
		unaudited	unaudited	unaudited	unaudited
Interest income, using the effective interest method		89,505	90,190	43,845	44,867
Interest income, not using the effective interest method		1,856	1,397	1,799	1,418
Interest and similar income	4.1.	91,401	91,590	45,688	46,287
Interest and similar expenses	4.1.	(11,647)	(11,404)	(6,309)	(5,928)
Net interest income		79,754	80,186	39,379	40,359
Dividend income	4.2.	11	12	1,282	6
Fee and commission income	4.3.	61,922	56,028	35,795	33,535
Fee and commission expenses	4.3.	(17,275)	(15,628)	(8,836)	(8,420)
Net fee and commission income		44,647	40,400	26,959	25,115
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	4.4.	716	99	626	(28)
Gains less losses from financial assets and liabilities held for trading	4.5.	2,548	2,985	403	1,255
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	4.6.	1,321	1,164	1,141	1,250
Fair value adjustments in hedge accounting		10	637	10	637
Foreign exchange translation gains less losses		554	119	511	(44)
Gains less losses on derecognition of assets other than held for sale		869	672	1	58
Other operating income	4.7.	3,095	5,210	1,948	2,372
Other operating expenses	4.8.	(6,097)	(5,280)	(2,652)	(1,954)
Administrative expenses	4.9.	(65,065)	(63,551)	(41,088)	(39,026)
Depreciation and amortisation		(7,926)	(6,858)	(4,672)	(4,369)
Gains less losses from modification		(73)	-	-	-
Provisions for credit losses	4.10.	(238)	846	(310)	1,009
Provisions for other liabilities and charges	4.10.	(869)	(841)	-	1
Impairment of financial assets	4.11.	16,592	6,755	14,363	5,656
Impairment of non-financial assets	4.11.	(262)	(2,162)	(47)	(415)
Share of profit from investments in associates and joint ventures (accounted for using the equity method)		1,639	1,567	-	-
Gains less losses from non-current assets held for sale	4.12.	-	(290)	-	2,649
Profit before income tax		71,226	61,670	37,854	34,531
Income tax	4.13.	(899)	(6,022)	2,557	(3,292)
Profit for the period		70,327	55,648	40,411	31,239
Attributable to owners of the parent		67,920	53,479	40,411	31,239
Attributable to non-controlling interests		2,407	2,169	-	-

Condensed statement of comprehensive income

	Note	in EUR thousands			
		NLB Group		NLB	
		nine months ended		nine months ended	
		Sep 2019	Sep 2018	Sep 2019	Sep 2018
		unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax		168,445	165,037	162,980	134,574
Other comprehensive income/(loss) after tax		25,925	(11,286)	12,480	(7,979)
<i>Items that will not be reclassified to income statement</i>					
Fair value changes of equity instruments measured at fair value through other comprehensive income		386	1,744	346	545
Share of other comprehensive income/(losses) of entities accounted for using the equity method		1,314	(378)	-	-
Income tax relating to components of other comprehensive income	5.12.	(316)	(16)	(66)	(95)
<i>Items that may be reclassified subsequently to income statement</i>					
Foreign currency translation		763	(1,230)	-	-
Translation gains/(losses) taken to equity		763	(1,230)	-	-
Debt instruments measured at fair value through other comprehensive income		16,906	(10,328)	15,062	(10,406)
Valuation gains/(losses) taken to equity		19,395	(10,202)	18,350	(10,366)
Transferred to income statement		(2,489)	(126)	(3,288)	(40)
Share of other comprehensive income/(losses) of entities accounted for using the equity method		12,117	(3,712)	-	-
Income tax relating to components of other comprehensive income	5.12.	(5,245)	2,634	(2,862)	1,977
Total comprehensive income for the period after tax		194,370	153,751	175,460	126,595
Attributable to owners of the parent		187,896	147,092	175,460	126,595
Attributable to non-controlling interests		6,474	6,659	-	-

Condensed statement of comprehensive income – for three months ended September

	in EUR thousands			
	NLB Group		NLB	
	three months ended		three months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018
	unaudited	unaudited	unaudited	unaudited
Net profit for the period after tax	70,327	55,648	40,411	31,239
Other comprehensive income/(loss) after tax	6,423	(5,674)	(345)	(4,569)
<i>Items that will not be reclassified to income statement</i>				
Fair value changes of equity instruments measured at fair value through other comprehensive income	26	419	27	220
Share of other comprehensive income/(losses) of entities accounted for using the equity method	625	(396)	-	-
Income tax relating to components of other comprehensive income	(124)	38	(5)	(42)
<i>Items that may be reclassified subsequently to income statement</i>				
Foreign currency translation	328	324	-	-
Translation gains/(losses) taken to equity	328	324	-	-
Debt instruments measured at fair value through other comprehensive income	546	(6,564)	(453)	(5,861)
Valuation gains/(losses) taken to equity	938	(6,196)	74	(5,807)
Transferred to income statement	(392)	(368)	(527)	(54)
Share of other comprehensive income/(losses) of entities accounted for using the equity method	6,094	(912)	-	-
Income tax relating to components of other comprehensive income	(1,072)	1,417	86	1,114
Total comprehensive income for the period after tax	76,750	49,974	40,066	26,670
Attributable to owners of the parent	74,142	47,768	40,066	26,670
Attributable to non-controlling interests	2,608	2,206	-	-

Condensed statement of financial position

in EUR thousands

	Notes	NLB Group		NLB	
		30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
		unaudited	audited	unaudited	audited
Cash, cash balances at central banks and other demand deposits at banks	5.1.	1,531,379	1,588,349	712,716	795,102
Financial assets held for trading	5.2.a)	87,586	63,609	87,586	63,611
Non-trading financial assets mandatorily at fair value through profit or loss	5.3.	31,007	32,389	28,584	29,141
Financial assets measured at fair value through other comprehensive income	5.4.	2,065,533	1,898,079	1,600,837	1,528,314
Financial assets measured at amortised cost					
- debt securities	5.5.a)	1,672,728	1,428,962	1,500,585	1,274,978
- loans and advances to banks	5.5.b)	90,264	118,696	147,890	110,297
- loans and advances to customers	5.5.c)	7,480,610	7,124,633	4,583,585	4,451,477
- other financial assets	5.5.d)	88,850	75,171	99,142	42,741
Derivatives - hedge accounting		-	417	-	417
Fair value changes of the hedged items in portfolio hedge of interest rate risk		14,018	2,517	14,018	2,517
Investments in subsidiaries		-	-	350,733	350,733
Investments in associates and joint ventures		7,539	37,147	1,368	4,777
Tangible assets					
Property and equipment		191,042	177,404	87,557	86,934
Investment property	5.7.	56,421	58,644	11,952	12,026
Intangible assets		35,675	34,968	24,036	23,391
Current income tax assets		1,873	877	1,421	-
Deferred income tax assets	5.9.	22,014	22,847	21,455	22,234
Other assets	5.8.	67,568	70,971	11,105	10,637
Non-current assets classified as held for sale		45,431	4,349	4,794	1,720
TOTAL ASSETS		13,489,538	12,740,029	9,289,364	8,811,047
Trading liabilities	5.2.b)	24,473	12,300	24,765	12,256
Financial liabilities measured at fair value through profit or loss	5.3.	8,769	4,190	8,075	3,981
Financial liabilities measured at amortised cost					
- deposits from banks and central banks	5.10.	56,290	26,775	85,523	48,903
- borrowings from banks and central banks	5.10.	180,443	258,423	170,591	244,133
- due to customers	5.10.	11,038,175	10,464,017	7,344,022	7,033,409
- borrowings from other customers	5.10.	62,303	61,844	3,198	4,128
- subordinated liabilities	5.10.a)	90,269	15,050	90,269	-
- other financial liabilities	5.10.b)	157,060	100,887	101,532	62,212
Derivatives - hedge accounting		65,417	29,474	65,417	29,474
Provisions	5.11.	83,271	80,134	56,881	56,994
Current income tax liabilities		2,020	12,152	-	10,784
Deferred income tax liabilities	5.9.	2,606	2,499	-	-
Other liabilities	5.13.	14,032	14,840	11,001	9,543
TOTAL LIABILITIES		11,785,128	11,082,585	7,961,274	7,515,817
EQUITY AND RESERVES ATTRIBUTABLE TO OWNERS OF THE PARENT					
Share capital		200,000	200,000	200,000	200,000
Share premium		871,378	871,378	871,378	871,378
Accumulated other comprehensive income		33,473	7,823	28,319	15,839
Profit reserves		13,522	13,522	13,522	13,522
Retained earnings		543,139	523,493	214,871	194,491
		1,661,512	1,616,216	1,328,090	1,295,230
Non-controlling interests		42,898	41,228	-	-
TOTAL EQUITY		1,704,410	1,657,444	1,328,090	1,295,230
TOTAL LIABILITIES AND EQUITY		13,489,538	12,740,029	9,289,364	8,811,047

The Management Board has approved the release of the financial statements and the accompanying notes.


Laszlo Rele
Member of the
Management Board


Archibald Kremser
Member of the
Management Board


Andreas Burkhardt
Member of the
Management Board


Blaž Brodnjak
President & CEO

Ljubljana, 29 November 2019

Condensed statement of changes in equity

in EUR thousands

NLB Group	Share capital	Share premium	Accumulated other comprehensive income				Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other capital reserves						
Balance as at 1 Jan 2019	200,000	871,378	28,702	(18,275)	(2,604)	13,522	523,493	1,616,216	41,228	1,657,444	
- Net profit for the period	-	-	-	-	-	-	162,246	162,246	6,199	168,445	
- Other comprehensive income	-	-	24,939	711	-	-	-	25,650	275	25,925	
Total comprehensive income after tax	-	-	24,939	711	-	-	162,246	187,896	6,474	194,370	
Dividends paid	-	-	-	-	-	-	(142,600)	(142,600)	(4,804)	(147,404)	
Balance as at 30 September 2019	200,000	871,378	53,641	(17,564)	(2,604)	13,522	543,139	1,661,512	42,898	1,704,410	

in EUR thousands

NLB Group	Share capital	Share premium	Accumulated other comprehensive income				Profit reserves	Retained earnings	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
			Fair value reserve of financial assets measured at FVOCI	Foreign currency translation reserve	Other capital reserves						
Balance as at 1 Jan 2018	200,000	871,378	45,587	(17,248)	(3,595)	13,522	587,742	1,697,386	36,891	1,734,277	
- Net profit for the period	-	-	-	-	-	-	158,326	158,326	6,711	165,037	
- Other comprehensive income	-	-	(10,162)	(1,084)	12	-	-	(11,234)	(52)	(11,286)	
Total comprehensive income after tax	-	-	(10,162)	(1,084)	12	-	158,326	147,092	6,659	153,751	
Dividends paid	-	-	-	-	-	-	-	-	(3,133)	(3,133)	
Transfer of fair value reserve	-	-	(1,190)	-	(13)	-	1,203	-	-	-	
Other	-	-	-	-	-	-	-	-	(340)	(340)	
Balance as at 30 September 2018	200,000	871,378	34,235	(18,332)	(3,596)	13,522	747,271	1,844,478	40,077	1,884,555	

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other capital reserves			
Balance as at 1 Jan 2019	200,000	871,378	18,620	(2,781)	13,522	194,491	1,295,230
- Net profit for the period	-	-	-	-	-	162,980	162,980
- Other comprehensive income	-	-	12,480	-	-	-	12,480
Total comprehensive income after tax	-	-	12,480	-	-	162,980	175,460
Dividends paid	-	-	-	-	-	(142,600)	(142,600)
Balance as at 30 September 2019	200,000	871,378	31,100	(2,781)	13,522	214,871	1,328,090

in EUR thousands

NLB	Share capital	Share premium	Accumulated other comprehensive income		Profit reserves	Retained earnings	Total equity
			Fair value reserve of financial assets measured at FVOCI	Other capital reserves			
Balance as at 1 Jan 2018	200,000	871,378	28,185	(3,497)	13,522	299,304	1,408,892
- Net profit for the period	-	-	-	-	-	134,574	134,574
- Other comprehensive income	-	-	(7,979)	-	-	-	(7,979)
Total comprehensive income after tax	-	-	(7,979)	-	-	134,574	126,595
Transfer of fair value reserve	-	-	(44)	-	-	44	-
Balance as at 30 September 2018	200,000	871,378	20,162	(3,497)	13,522	433,922	1,535,487

Condensed statement of cash flows

	in EUR thousands			
	NLB Group		NLB	
	nine months ended		nine months ended	
	September 2019	September 2018	September 2019	September 2018
	unaudited	unaudited	unaudited	unaudited
CASH FLOWS FROM OPERATING ACTIVITIES				
Interest received	311,638	296,029	177,133	166,874
Interest paid	(31,928)	(34,098)	(16,089)	(18,071)
Dividends received	2,970	1,821	47,243	41,156
Fee and commission receipts	171,298	161,794	100,027	97,832
Fee and commission payments	(49,401)	(44,519)	(24,918)	(23,664)
Realised gains from financial assets and financial liabilities not measured at fair value through profit or loss	3,757	1,039	3,642	629
Net gains/(losses) from financial assets and liabilities held for trading	7,716	7,497	2,861	2,977
Payments to employees and suppliers	(192,737)	(190,214)	(125,005)	(120,396)
Other income	13,473	19,001	6,451	8,706
Other expenses	(21,776)	(19,752)	(11,394)	(12,960)
Income tax (paid)/received	(28,077)	(8,662)	(19,874)	355
Cash flows from operating activities before changes in operating assets and liabilities	186,933	189,936	140,077	143,438
(Increases)/decreases in operating assets	(438,084)	(212,822)	(241,185)	(87,261)
Net (increase)/decrease in trading assets	(12,565)	26,577	(12,565)	26,577
Net (increase)/decrease in non-trading financial assets mandatorily at fair value through profit or loss	22,940	11,319	19,850	13,775
Net (increase)/decrease in financial assets measured at fair value through other comprehensive income	(146,663)	(254,371)	(51,551)	(255,375)
Net (increase)/decrease in loans and receivables measured at amortised cost	(309,188)	(8,139)	(196,625)	126,484
Net (increase)/decrease in other assets	7,392	11,792	(294)	1,278
Increases/(decreases) in operating liabilities	526,965	344,335	286,552	158,194
Net increase/(decrease) in financial liabilities designated at fair value through profit or loss	-	(691)	-	(691)
Net increase/(decrease) in deposits and borrowings measured at amortised cost	526,034	345,314	285,207	158,133
Net increase/(decrease) in other liabilities	931	(288)	1,345	752
Net cash from operating activities	275,814	321,449	185,444	214,371
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts from investing activities	169,071	328,235	160,372	248,617
Proceeds from sale of property and equipment	1,770	4,963	7	5
Proceeds from disposals of subsidiaries and associates	8	23,271	3,437	14,868
Proceeds from disposals of debt securities measured at amortised cost	167,024	299,843	156,659	233,586
Proceeds from sale of non-current assets held for sale	269	158	269	158
Payments from investing activities	(440,061)	(367,154)	(403,384)	(279,600)
Purchase of property and equipment	(13,075)	(12,545)	(7,891)	(7,866)
Purchase of intangible assets	(11,354)	(7,094)	(8,006)	(5,532)
Purchase of subsidiaries and increase in subsidiaries' equity	-	-	(4)	(800)
Purchase of debt securities measured at amortised cost	(415,632)	(347,515)	(387,483)	(265,402)
Net cash from investing activities	(270,990)	(38,919)	(243,012)	(30,983)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from financing activities	89,595	-	89,595	-
Issue of subordinated debt	89,595	-	89,595	-
Payments from financing activities	(162,085)	(15,102)	(142,600)	-
Dividends paid	(147,089)	(3,131)	(142,600)	-
Repayments of subordinated debt	(14,996)	(11,971)	-	-
Net cash from financing activities	(72,490)	(15,102)	(53,005)	-
Effects of exchange rate changes on cash and cash equivalents	3,432	1,991	1,006	(508)
Net increase/(decrease) in cash and cash equivalents	(67,666)	267,428	(110,573)	183,388
Cash and cash equivalents at beginning of period	1,729,093	1,475,714	824,337	662,419
Cash and cash equivalents at end of period	1,664,859	1,745,133	714,770	845,299

	Notes	in EUR thousands			
		NLB Group		NLB	
		30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
		unaudited	audited	unaudited	audited
Cash and cash equivalents comprise:					
Cash, cash balances at central banks, and other demand deposits at banks	5.1.	1,531,820	1,588,819	712,785	795,190
Loans and advances to banks with original maturity up to 3 months		65,712	72,170	1,985	29,147
Financial assets measured at fair value through other comprehensive income with original maturity up to 3 months		67,327	68,104	-	-
Total		1,664,859	1,729,093	714,770	824,337

Notes to the condensed interim financial statements

1. General information

Nova Ljubljanska banka d.d. Ljubljana (hereinafter: 'NLB') is a joint-stock entity providing universal banking services. NLB Group consists of NLB and its subsidiaries located in nine countries. Information on the NLB Group's structure is disclosed in note 8. Information on other related party relationships of NLB Group is provided in note 6.

NLB is incorporated and domiciled in Slovenia. The address of its registered office is Trg Republike 2, Ljubljana. NLB's shares are listed on the Ljubljana Stock Exchange, and the global depositary receipts ('GDR') representing shares are listed on the London Stock Exchange. Five GDR represent one share of NLB.

As at 30 September 2019 the largest shareholder of NLB with significant influence is the Republic of Slovenia, owning 25.00% plus one share. As at 31 December 2018 the largest shareholder of NLB with significant influence was the Republic of Slovenia, owning 35.00% of the shares.

All amounts in the condensed interim financial statements and in the notes to the condensed interim financial statements are expressed in thousands of euros unless otherwise stated.

2. Summary of significant accounting policies

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim financial reporting" and should be read in conjunction with the annual financial statements of NLB Group and NLB for the year ended 31 December 2018, which have been prepared in accordance with the International Financial Reporting Standards (hereinafter: 'IFRS') as adopted by the European Union.

2.2 Accounting policies

The same accounting policies and methods of computation were followed in the preparation of these consolidated condensed interim financial statements as for the year ended 31 December 2018, except for accounting standards and other amendments effective for annual periods beginning on 1 January 2019 that were endorsed by the EU.

Accounting standards and amendments to existing standards that were endorsed by the EU, and adopted by NLB Group from 1 January 2019

- IFRS 16 (new standard) – Leases (effective for annual periods beginning on or after 1 January 2019). It replaces the old lease accounting standard IAS 17 Leases. IFRS 16 establishes principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognise most leases in their financial statements, moreover it introduces a single accounting model for all leases (similar to the accounting for finance leases under IAS 17), with certain exemptions ("low value" assets

and short-term leases). At the commencement date of a lease, a lessee shall recognise a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost. The cost of the right-of-use asset comprises the amount of the initial measurement of lease liability, adjusted for any payments made at or before the commencement date, any lease incentives received, any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee at the end of lease term. The value of lease liability is calculated as the net present value of future lease payments.

The term 'Lessor Accounting' under IFRS 16 is substantially unchanged from today's accounting under IAS 17.

NLB Group has identified contracts that meet the definition of a lease in accordance with the IFRS 16 requirements. The most significant types of leases are leases of business premises, followed by the leases of vehicles and a small number of parking spaces. One of the most important assumptions for calculation of the net present value was the lease term signed for an indefinite period. For these NLB Group assumed 5-year lease term with the exemption of business premises on strategic locations where management assessed a different (longer) lease term. Another important assumption for the calculation of the net present value of the future lease payments was the discount rate where NLB Group applied the internal transfer price for retail deposits.

At the transition to IFRS 16 NLB Group chose modified retrospective approach, where right-of-use assets are measured as an amount equal to the lease liability. Adoption of the IFRS 16 requirements did not have material impact on the consolidated financial statements of NLB Group as at 1 January 2019. More specifically, due to a recognition of the right-of-use assets and lease liabilities the consolidated assets and liabilities increased by EUR 19.0 million (NLB: EUR 2.6 million). The impact on the regulatory equity is immaterial.

- IFRS 9 (amendment) – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019);
- Annual Improvements to IFRS 2015–2017 Cycle. The improvements comprise a mixture of substantive changes and clarifications, and are effective for annual periods beginning on or after 1 January 2019;
- IAS 28 (amendment) – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);
- IAS 19 (amendment) – Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019).

Accounting standards and amendments to existing standards issued but not endorsed by the EU

- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020);
- IFRS 3 (amendment) – Business Combinations (effective for annual periods beginning on or after 1 January 2020);
- IAS 1 and IAS 8 (amendments) – Definition of Material (effective for annual periods beginning on or after 1 January 2020).

3. Changes in NLB Group

Nine months ended 30 September 2019

Capital changes:

- In January 2019, decrease of share capital in the amount of EUR 3,324 thousand was registered in NLB Leasing Sarajevo. From March 2019 the company is formally in liquidation.

Other changes:

- In January 2019, REAM d.o.o., Belgrade merged with SR-RE d.o.o., Belgrade. In April 2019, SR-RE d.o.o., Belgrade was renamed to REAM d.o.o., Belgrade.
- From 1 January 2019 NLB Srbija d.o.o., Belgrade and NLB Crna Gora d.o.o., Podgorica were transferred from core to non-core members.
- In June 2019, Prospera plus d.o.o., Ljubljana – v likvidaciji and NLB Interfinanz Praha s.r.o., Prague – vo likvidaci were liquidated. In accordance with a court order, companies were removed from the court register.
- In June 2019, NLB sold its subsidiary CBS Invest d.o.o., Sarajevo.
- In August 2019 NLB announced that both owners of NLB Vita insurance company (NLB and KBC Insurance NV) are investigating the possibilities of joint process to divest their shareholdings in NLB Vita. As the sale is expected to qualify for recognition as a completed sale within one year from the end of the reporting period, investment in joint venture NLB Vita in the amount of EUR 41,862 thousand (NLB: EUR 3,409 thousand) has been transferred from line “Investments in associates and joint ventures” into line “Non-current assets classified as held for sale”.

Changes in 2018

Capital changes:

- An increase in share capital in the form of a cash contribution in the amount of EUR 300 thousand in Prospera plus d.o.o., Ljubljana – v likvidaciji for covering operating costs.
- An increase in share capital in the form of a cash contribution in the amount of EUR 1,300 thousand in S-REAM d.o.o., Ljubljana to ensure regular business operations.

Other changes:

- In March 2018, NLB Group sold its core subsidiary NLB Nov Penziski Fond, Skopje.
- NLB Interfinanz Praha s.r.o., Prague – vo likvidaci and NLB Interfinanz, Belgrade – u likvidaciji are formally in liquidation.

- In May 2018, S-REAM, poslovanje z nepremičninami, d.o.o. Ljubljana was established and will manage certain real estate in NLB Group. NLB's ownership is 100%.
- In June 2018, NLB Propria d.o.o., Ljubljana – v likvidaciji was liquidated. In accordance with a court order, the company was removed from the court register.
- In September 2018, NLB sold its associate Skupna pokojninska družba d. d., Ljubljana.
- In December 2018, NLB received EUR 958 thousand from liquidation of NLB Lizing Skopje. In January 2019 liquidation was finished and the company was removed from the court register in accordance with court order.
- In December 2018, NLB sold its subsidiary REAM d.o.o., Zagreb to S-REAM, d.o.o., poslovanje z nepremičninami, Ljubljana.

4. Notes to the condensed income statement

4.1. Interest income and expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2019	Sep 2018	Sep 2019	Sep 2018		Sep 2019	Sep 2018	Sep 2019	Sep 2018	
Interest and similar income										
Interest income, using the effective interest method	89,545	90,193	267,187	261,696	2%	43,889	44,869	131,206	130,235	1%
Loans and advances to customers at amortised cost	78,150	78,337	232,430	226,635	3%	35,222	36,066	105,526	104,215	1%
Securities measured at amortised cost	5,796	5,697	17,492	17,035	3%	4,743	4,710	14,424	14,087	2%
Financial assets measured at fair value through other comprehensive income	5,084	5,308	15,552	15,475	0%	2,820	3,285	8,782	9,589	-8%
Loans and advances to banks measured at amortised cost	337	562	1,007	1,709	-41%	1,004	660	2,100	1,925	9%
Deposits on demand with banks and central banks	178	289	706	842	-16%	100	148	374	419	-11%
Interest income, not using the effective interest method	1,856	1,397	5,544	5,022	10%	1,799	1,418	5,479	5,081	8%
Financial assets held for trading	1,560	1,338	4,583	4,186	9%	1,560	1,338	4,583	4,186	9%
Non-trading financial assets mandatorily at fair value through profit or loss	296	59	961	836	15%	239	80	896	895	0%
Total	91,401	91,590	272,731	266,718	2%	45,688	46,287	136,685	135,316	1%
Interest and similar expenses										
Due to customers	5,807	6,165	17,326	19,089	-9%	1,091	1,329	3,238	4,439	-27%
Derivatives - hedge accounting	2,334	2,142	6,571	6,163	7%	2,334	2,142	6,571	6,163	7%
Financial liabilities held for trading	1,294	1,146	3,841	3,648	5%	1,294	1,146	3,841	3,648	5%
Negative interest	862	956	2,568	2,564	0%	638	869	1,943	2,295	-15%
Borrowings from banks and central banks	340	390	1,032	1,121	-8%	279	331	885	895	-1%
Subordinated liabilities	537	244	1,272	1,031	23%	537	-	827	-	-
Borrowings from other customers	223	263	716	900	-20%	-	-	-	-	-
Deposits from banks and central banks	89	33	141	139	1%	82	74	253	186	36%
Lease liabilities	93	-	287	-	-	11	-	28	-	-
Other financial liabilities	68	65	185	198	-7%	43	37	112	111	1%
Total	11,647	11,404	33,939	34,853	-3%	6,309	5,928	17,698	17,737	0%
Net interest income	79,754	80,186	238,792	231,865	3%	39,379	40,359	118,987	117,579	1%

4.2. Dividend income

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2019	Sep 2018	Sep 2019	Sep 2018		Sep 2019	Sep 2018	Sep 2019	Sep 2018	
Financial assets measured at fair value through other comprehensive income	4	6	104	92	13%	-	-	-	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	7	6	87	17	-	7	6	87	17	-
Investments in subsidiaries, associates, and joint ventures	-	-	-	-	-	1,275	-	71,134	49,669	43%
Total	11	12	191	109	75%	1,282	6	71,221	49,686	43%

4.3. Fee and commission income and expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	Sep 2019	Sep 2018	Sep 2019	Sep 2018	change	Sep 2019	Sep 2018	Sep 2019	Sep 2018	change
Fee and commission income										
Credit cards and ATMs	19,321	17,790	51,660	49,770	4%	10,523	10,485	29,478	30,909	-5%
Payments	13,689	13,937	40,327	41,620	-3%	5,713	6,618	17,614	20,423	-14%
Customer transaction accounts	15,714	12,459	44,641	35,643	25%	11,732	9,295	33,603	26,517	27%
Investment funds	4,658	4,189	12,847	12,387	4%	1,403	1,319	3,945	3,708	6%
Guarantees	2,838	2,742	8,318	8,023	4%	1,794	1,807	5,352	5,245	2%
Investment banking	2,504	2,115	6,678	6,802	-2%	2,149	1,738	5,745	5,686	1%
Agency of insurance products	1,514	1,366	4,876	3,488	40%	1,139	1,044	3,757	3,161	19%
Other services	1,684	1,430	4,373	4,292	2%	1,342	1,229	3,283	3,162	4%
Total	61,922	56,028	173,720	162,025	7%	35,795	33,535	102,777	98,811	4%
Fee and commission expenses										
Credit cards and ATMs	13,350	11,928	35,972	31,663	14%	7,451	6,907	20,621	18,986	9%
Payments	1,893	1,661	4,915	4,464	10%	308	195	737	590	25%
Investment banking	1,170	1,172	3,268	3,116	5%	771	822	2,190	2,141	2%
Insurance for holders of personal accounts and golden cards	167	279	761	1,004	-24%	119	214	613	821	-25%
Guarantees	31	38	92	153	-40%	6	9	14	32	-56%
Other services	664	550	1,855	1,666	11%	181	273	536	842	-36%
Total	17,275	15,628	46,863	42,066	11%	8,836	8,420	24,711	23,412	6%
Net fee and commission income	44,647	40,400	126,857	119,959	6%	26,959	25,115	78,066	75,399	4%

4.4. Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018
Financial assets measured at fair value through other comprehensive income	600	99	3,640	416	510	(28)	3,525	260
Financial assets measured at amortised cost	116	-	116	(6)	116	-	116	(6)
Financial liabilities measured at amortised cost	-	-	-	254	-	-	-	-
Total	716	99	3,756	664	626	(28)	3,641	254

4.5. Gains less losses from financial assets and liabilities held for trading

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018
Foreign exchange trading	3,187	2,951	8,422	7,774	1,454	1,255	3,544	2,859
Derivatives	(473)	95	(1,355)	(497)	(885)	61	(1,861)	(510)
Debt instruments	(166)	(61)	203	(374)	(166)	(61)	203	(374)
Total	2,548	2,985	7,270	6,903	403	1,255	1,886	2,075

4.6. Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss

in EUR thousands

	NLB Group				NLB			
	three months ended		nine months ended		three months ended		nine months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018
Equity securities	159	114	7,452	189	88	67	6,999	209
Debt securities	(24)	-	(50)	-	-	-	-	-
Loans and advances to customers	1,186	1,050	8,927	2,616	1,053	1,183	8,204	3,629
Total	1,321	1,164	16,329	2,805	1,141	1,250	15,203	3,838

4.7. Other operating income

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended			three months ended		nine months ended		
	Sep 2019	Sep 2018	Sep 2019	Sep 2018	change	Sep 2019	Sep 2018	Sep 2019	Sep 2018	change
Income from non-banking services	1,634	1,924	4,971	6,502	-24%	1,504	1,506	4,270	4,228	1%
Rental income from investment property	1,012	1,716	3,341	3,802	-12%	174	120	514	366	40%
Other operating income	449	1,570	3,631	3,216	13%	270	746	1,345	1,588	-15%
Total	3,095	5,210	11,943	13,520	-12%	1,948	2,372	6,129	6,182	-1%

4.8. Other operating expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2019	Sep 2018	Sep 2019	Sep 2018		Sep 2019	Sep 2018	Sep 2019	Sep 2018	
Deposit guarantee	2,316	2,023	11,759	11,722	0%	-	-	4,984	5,746	-13%
Single Resolution Fund	-	-	2,050	2,506	-18%	-	-	2,050	2,506	-18%
Other taxes and compulsory public levies	746	740	2,049	2,232	-11%	293	271	749	757	-1%
Membership fees and similar fees	207	177	591	549	8%	77	66	233	216	8%
Expenses related to issued service guarantees	1,747	1,293	1,836	1,461	26%	1,747	1,293	1,836	1,461	26%
Revaluation of investment property to fair value	7	197	188	289	-35%	-	20	-	65	-
Other operating expenses	1,074	850	4,160	3,226	29%	535	304	1,235	1,563	-21%
Total	6,097	5,280	22,633	22,045	3%	2,652	1,954	11,087	12,314	-10%

4.9. Administrative expenses

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2019	Sep 2018	Sep 2019	Sep 2018		Sep 2019	Sep 2018	Sep 2019	Sep 2018	
Employee costs	41,775	41,075	123,192	121,955	1%	26,251	25,792	77,416	76,218	2%
Other general and administrative expenses	23,290	22,476	67,872	67,919	0%	14,837	13,234	41,737	39,911	5%
Total	65,065	63,551	191,064	189,874	1%	41,088	39,026	119,153	116,129	3%

4.10. Provisions for credit losses and other liabilities and charges

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2019	Sep 2018	Sep 2019	Sep 2018		Sep 2019	Sep 2018	Sep 2019	Sep 2018	
Guarantees and commitments (note 5.6.c)	238	(846)	2,158	(4,769)		310	(1,009)	2,210	(1,663)	
Provisions for legal issues	781	859	4,557	1,410		-	(1)	(6)	25	
Provisions for restructuring	23	(18)	23	(24)		-	-	-	-	
Other provisions	65	-	65	-		-	-	-	-	
Total	1,107	(5)	6,803	(3,383)		310	(1,010)	2,204	(1,638)	

4.11. Impairment charge

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2019	Sep 2018	Sep 2019	Sep 2018		Sep 2019	Sep 2018	Sep 2019	Sep 2018	
Impairment of financial assets										
Cash balances at central banks, and other demand deposits at banks	36	(13)	(39)	(25)		(5)	18	(19)	27	
Loans and advances to banks measured at amortised cost (note 5.6.a)	(18)	44	(36)	(341)		17	(122)	66	(348)	
Loans and advances to customers measured at amortised cost (note 5.6.a)	(16,629)	(9,278)	(19,618)	(21,349)		(14,564)	(5,602)	(18,153)	(16,140)	
Debt securities measured at fair value through other comprehensive income (note 5.6.b)	208	(269)	1,151	290		(17)	(82)	237	220	
Debt securities measured at amortised cost (note 5.6.b)	(79)	209	245	488		62	53	316	(25)	
Other financial assets measured at amortised cost (note 5.6.a)	(110)	2,552	506	2,500		144	79	464	(198)	
Impairment of investments in subsidiaries, associates, and joint ventures										
Investments in subsidiaries	-	-	-	-		-	300	(3,433)	(76)	
Impairment of other assets										
Property and equipment	123	(50)	120	70		-	-	-	-	
Other assets	139	2,212	1,134	2,781		47	115	47	(43)	
Total	(16,330)	(4,593)	(16,537)	(15,586)		(14,316)	(5,241)	(20,475)	(16,583)	

4.12. Gains less losses from non-current assets held for sale

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2019	Sep 2018	Sep 2019	Sep 2018		Sep 2019	Sep 2018	Sep 2019	Sep 2018	
Gains less losses on derecognition of subsidiaries	-	-	(110)	12,178		-	-	-	8,840	
Gains less losses on derecognition of associates	-	(477)	(1)	(477)		-	2,465	(1)	2,465	
Gains less losses from property and equipment	-	187	(126)	156		-	184	(128)	153	
Total	-	(290)	(237)	11,857		-	2,649	(129)	11,458	

4.13. Income tax

in EUR thousands

	NLB Group					NLB				
	three months ended		nine months ended		change	three months ended		nine months ended		change
	Sep 2019	Sep 2018	Sep 2019	Sep 2018		Sep 2019	Sep 2018	Sep 2019	Sep 2018	
Current income tax	5,119	5,974	17,888	17,141	4%	1,967	3,289	9,470	9,383	1%
Deferred tax (note 5.9.)	(4,220)	48	(2,104)	(516)	-	(4,524)	3	(2,149)	114	-
Total	899	6,022	15,784	16,625	-5%	(2,557)	3,292	7,321	9,497	-23%

5. Notes to the condensed statement of financial position

5.1. Cash, cash balances at central banks, and other demand deposits at banks

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Balances and obligatory reserves with central banks	984,964	1,075,378	-8%	468,812	575,088	-18%
Cash	329,953	312,748	6%	159,167	153,315	4%
Demand deposits at banks	216,903	200,693	8%	84,806	66,787	27%
	1,531,820	1,588,819	-4%	712,785	795,190	-10%
Allowance for impairment	(441)	(470)	6%	(69)	(88)	22%
Total	1,531,379	1,588,349	-4%	712,716	795,102	-10%

5.2. Financial instruments held for trading

a) Trading assets

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Derivatives, excluding hedging instruments						
Swap contracts	24,858	13,561	83%	24,858	13,563	83%
Forward contracts	794	937	-15%	794	937	-15%
Options	750	414	81%	750	414	81%
Total derivatives	26,402	14,912	77%	26,402	14,914	77%
Securities						
Treasury bills	50,030	30,038	67%	50,030	30,038	67%
Bonds	11,154	18,659	-40%	11,154	18,659	-40%
Total securities	61,184	48,697	26%	61,184	48,697	26%
Total	87,586	63,609	38%	87,586	63,611	38%

b) Trading liabilities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Derivatives, excluding hedging instruments						
Swap contracts	23,700	11,343	109%	23,992	11,302	112%
Forward contracts	758	871	-13%	758	868	-13%
Options	15	86	-83%	15	86	-83%
Total	24,473	12,300	99%	24,765	12,256	102%

5.3. Non-trading financial instruments measured at fair value through profit or loss

Financial instruments mandatorily at fair value through profit or loss

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Assets						
Equity securities	9,483	2,513	-	9,483	2,513	-
Investments funds	4,134	4,067	2%	34	34	0%
Debt securities	1,978	2,009	-2%	-	-	-
Loans and advances to companies	15,412	23,800	-35%	19,067	26,594	-28%
Total	31,007	32,389	-4%	28,584	29,141	-2%
Liabilities						
Loans and advances to companies	8,769	4,190	109%	8,075	3,981	103%

5.4. Financial assets measured at fair value through other comprehensive income

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Bonds	1,830,611	1,648,863	11%	1,458,496	1,433,476	2%
Commercial bills	72,440	100,757	-28%	-	-	-
Treasury bills	112,790	99,398	13%	97,262	50,106	94%
National Resolution Fund	44,831	44,484	1%	44,831	44,484	1%
Shares	4,861	4,577	6%	248	248	0%
Total	2,065,533	1,898,079	9%	1,600,837	1,528,314	5%
Allowance for impairment (note 5.6.b)	(5,620)	(4,470)	-26%	(2,578)	(2,339)	-10%

5.5. Financial assets measured at amortised cost

Analysis by type

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Debt securities	1,672,728	1,428,962	17%	1,500,585	1,274,978	18%
Loans and advances to banks	90,264	118,696	-24%	147,890	110,297	34%
Loans and advances to customers	7,480,610	7,124,633	5%	4,583,585	4,451,477	3%
Other financial assets	88,850	75,171	18%	99,142	42,741	132%
Total	9,332,452	8,747,462	7%	6,331,202	5,879,493	8%

a) Debt securities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Government	1,310,977	1,138,415	15%	1,137,328	982,856	16%
Companies	82,389	81,990	0%	82,389	81,990	0%
Banks	251,547	183,715	37%	251,547	183,715	37%
Other	30,960	27,740	12%	30,960	27,740	12%
Total	1,675,873	1,431,860	17%	1,502,224	1,276,301	18%
Allowance for impairment (note 5.6.b)	(3,145)	(2,898)	-9%	(1,639)	(1,323)	-24%
Total	1,672,728	1,428,962	17%	1,500,585	1,274,978	18%

b) Loans and advances to banks

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Time deposits	87,719	116,450	-25%	61,379	69,639	-12%
Purchased receivables	1,269	662	92%	1,269	662	92%
Loans	1,366	1,710	-20%	85,385	40,073	113%
Total	90,354	118,822	-24%	148,033	110,374	34%
Allowance for impairment (note 5.6.a)	(90)	(126)	29%	(143)	(77)	-86%
Total	90,264	118,696	-24%	147,890	110,297	34%

c) Loans and advances to customers

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Loans	7,362,640	7,051,289	4%	4,510,092	4,408,703	2%
Overdrafts	330,053	311,366	6%	179,214	178,590	0%
Finance lease receivables	59,048	86,842	-32%	-	-	-
Credit card business	116,577	120,611	-3%	55,947	60,130	-7%
Called guarantees	9,348	8,092	16%	6,355	6,613	-4%
Total	7,877,666	7,578,200	4%	4,751,608	4,654,036	2%
Allowance for impairment (note 5.6.a)	(397,056)	(453,567)	12%	(168,023)	(202,559)	17%
Total	7,480,610	7,124,633	5%	4,583,585	4,451,477	3%

d) Other financial assets

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Receivables in the course of collection	26,297	19,127	37%	23,733	16,110	47%
Credit card receivables	17,762	18,365	-3%	13,361	12,705	5%
Debtors	5,446	6,015	-9%	522	820	-36%
Fees and commissions	5,360	5,591	-4%	2,851	4,013	-29%
Receivables to brokerage firms and others for the sale of securities and custody services	614	615	0%	610	610	0%
Prepayments	67	5,131	-99%	-	-	-
Accrued income	1,849	230	-	2,194	238	-
Dividends	44	44	0%	24,023	44	-
Other financial assets	36,988	28,259	31%	33,764	10,089	-
	94,427	83,367	13%	101,058	44,629	126%
Allowance for impairment (note 5.6.a)	(5,577)	(8,196)	32%	(1,916)	(1,888)	-1%
Total	88,850	75,171	18%	99,142	42,741	132%

5.6. Movements in allowance for the impairment and provisions

a) Movements in allowance for the impairment of loans and advances measured at amortised cost

in EUR thousands

	NLB Group						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	126	41,452	35,537	376,578	182	58	7,956
Exchange differences on opening balance	-	31	12	1,115	(2)	(1)	29
Transfers	-	14,879	(3,835)	(11,044)	8	(34)	26
Impairment (note 4.11.)	(36)	(6,486)	4,469	(6,946)	(14)	16	518
Write-offs	-	(196)	(22)	(48,561)	(2)	-	(1,181)
Exchange differences	-	18	2	53	-	-	38
Disposals of subsidiaries	-	-	-	-	-	-	(2,020)
Balance as at 30 Sep 2019	90	49,698	36,163	311,195	172	39	5,366
Repayment of write-offs (note 4.11.)	-	-	-	10,655	-	-	14

in EUR thousands

	NLB Group						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	713	34,618	34,203	481,070	171	25	10,672
Exchange differences on opening balance	-	7	6	1,262	-	-	-
Transfers	-	15,252	1,186	(16,438)	-	-	-
Impairment (note 4.11.)	(341)	(11,935)	2,298	7,389	92	52	2,765
Write-offs	-	(220)	(199)	(32,492)	(18)	(3)	(3,249)
Exchange differences	-	15	2	606	-	-	-
Balance as at 30 Sep 2018	372	37,737	37,496	441,397	245	74	10,188
Repayment of write-offs (note 4.11.)	-	-	-	19,101	-	-	409

in EUR thousands

	NLB						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2019	77	16,789	12,660	173,110	27	6	1,855
Transfers	-	3,372	5,929	(9,301)	12	(1)	(11)
Impairment (note 4.11.)	66	(736)	(5,113)	(5,113)	40	(3)	441
Write-offs	-	(4)	(19)	(23,601)	(2)	-	(450)
Exchange differences	-	30	2	18	-	-	2
Balance as at 30 Sep 2019	143	19,451	13,459	135,113	77	2	1,837
Repayment of write-offs (note 4.11.)	-	-	-	7,191	-	-	14

in EUR thousands

	NLB						
	Banks		Customers		Other financial assets		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	12-month expected credit losses	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	492	15,812	6,316	230,330	24	5	2,637
Transfers	-	2,940	11,609	(14,549)	-	-	-
Impairment (note 4.11.)	(348)	(2,128)	(5,201)	(779)	20	7	184
Write-offs	-	(26)	(6)	(16,332)	(3)	-	(416)
Exchange differences	-	23	3	36	-	-	-
Balance as at 30 Sep 2018	144	16,621	12,721	198,706	41	12	2,405
Repayment of write-offs (note 4.11.)	-	-	-	8,032	-	-	409

b) Movements in allowance for the impairment of debt securities

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
		12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired
Balance as at 1 Jan 2019	2,898	3,597	75	798
Exchange differences on opening balance	2	(2)	(1)	-
Transfers	-	18	(18)	-
Impairment (note 4.11.)	245	1,127	24	-
Exchange differences	-	2	-	-
Balance as at 30 Sep 2019	3,145	4,742	80	798

in EUR thousands

	NLB Group			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
		12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired
Balance as at 1 Jan 2018	2,169	3,689	-	798
Exchange differences on opening balance	(5)	4	-	-
Impairment (note 4.11.)	488	208	82	-
Exchange differences	-	1	-	-
Balance as at 30 Sep 2018	2,652	3,902	82	798

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
		12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit-impaired
Balance as at 1 Jan 2019	1,323	1,541	-	798
Impairment (note 4.11.)	316	237	-	-
Exchange differences	-	2	-	-
Balance as at 30 Sep 2019	1,639	1,780	-	798

in EUR thousands

	NLB			
	Debt securities measured at amortised cost	Debt securities measured at fair value through other comprehensive income		
	12-month expected credit losses	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired
Balance as at 1 Jan 2018	1,298	1,392	-	798
Impairment (note 4.11.)	(25)	220	-	-
Exchange differences	-	1	-	-
Balance as at 30 Sep 2018	1,273	1,613	-	798

c) Movements in provisions for commitments and guarantees

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2019	9,044	3,264	26,774
Exchange differences on opening balance	4	1	(2)
Transfers	1,735	(1,227)	(508)
Impairment (note 4.10.)	488	1,340	330
Exchange differences	(2)	2	16
Balance as at 30 Sep 2019	11,269	3,380	26,610

in EUR thousands

	NLB Group		
	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2018	6,928	4,833	30,504
Exchange differences on opening balance	(12)	(14)	(7)
Transfers	2,123	(1,521)	(602)
Impairment (note 4.10.)	(928)	(17)	(3,824)
Balance as at 30 Sep 2018	8,111	3,281	26,071

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2019	4,071	821	24,624
Transfers	78	121	(199)
Impairment (note 4.10.)	1,259	280	671
Exchange differences	-	1	16
Balance as at 30 Sep 2019	5,408	1,223	25,112

in EUR thousands

	NLB		
	12-month expected credit losses	Lifetime ECL not credit- impaired	Lifetime ECL credit- impaired
Balance as at 1 Jan 2018	2,946	450	27,276
Transfers	235	(35)	(200)
Impairment (note 4.10.)	672	209	(2,544)
Balance as at 30 Sep 2018	3,853	624	24,532

5.7. Investment property

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Buildings	51,433	53,275	-3%	11,337	11,326	0%
Land	4,988	5,369	-7%	615	700	-12%
Total	56,421	58,644	-4%	11,952	12,026	-1%

5.8. Other assets

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Assets, received as collateral	55,042	60,173	-9%	5,717	5,815	-2%
Inventories	2,444	3,346	-27%	378	378	0%
Deferred expenses	6,070	5,247	16%	4,481	3,862	16%
Prepayments	2,715	784	-	162	182	-11%
Claim for taxes and other dues	1,297	1,421	-9%	367	400	-8%
Total	67,568	70,971	-5%	11,105	10,637	4%

5.9. Deferred tax

in EUR thousands

	NLB Group		NLB	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Deferred income tax assets				
Valuation of financial instruments and capital investments	31,899	25,834	31,841	25,747
Impairment provisions	1,031	905	801	697
Employee benefit provisions	3,520	3,671	2,701	2,915
Depreciation and valuation of non-financial assets	1,621	1,627	156	157
Total deferred income tax assets	38,071	32,037	35,499	29,516
Deferred income tax liabilities				
Valuation of financial instruments	13,956	7,205	13,326	6,606
Depreciation and valuation of non-financial assets	1,254	1,179	228	232
Impairment provisions	3,453	3,305	490	444
Total deferred income tax liabilities	18,663	11,689	14,044	7,282
Net deferred income tax assets	22,014	22,847	21,455	22,234
Net deferred income tax liabilities	(2,606)	(2,499)	-	-

in EUR thousands

	NLB Group		NLB	
	nine months ended		nine months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018
Included in the income statement for the current year	2,104	516	2,149	(114)
- valuation of financial instruments and capital investments	2,256	62	2,256	(34)
- impairment provisions	80	121	104	38
- employee benefit provisions	(151)	(61)	(214)	(125)
- depreciation and valuation of non-financial assets	(81)	394	3	7
Included in other comprehensive income for the current year	(3,009)	1,853	(2,928)	1,882
- valuation and impairment of financial assets measured at fair value through other comprehensive income	(3,009)	1,853	(2,928)	1,882

NLB recognises deferred tax assets in the amount that, given future profit estimates, is expected to be reversed in the foreseeable future (i.e. within five years). In September, deferred tax assets related to hedge accounting in respect to which simultaneously deferred tax liabilities are recognised, were excluded from this calculation. For this reason, NLB recorded deferred tax revenues of EUR 1,653 thousand in 2019.

As at 30 September 2019, NLB recognised EUR 35,499 thousand deferred tax assets (31 December 2018: EUR 29,516 thousand). Unrecognised deferred tax assets amount to EUR 249,818 thousand (31 December 2018: EUR 262,081 thousand) of which EUR 181,130 thousand (31 December 2018: EUR 189,491 thousand) relates to unrecognised deferred tax assets from tax loss, and EUR 68,688 thousand (31

December 2018: EUR 72,590 thousand) to unrecognised deferred tax assets from impairments of non-strategic capital investments.

5.10. Financial liabilities measured at amortised cost

Analysis by type of financial liabilities, measured at amortised cost

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Deposits from banks and central banks	56,290	26,775	110%	85,523	48,903	75%
- Deposits on demand	44,832	23,191	93%	82,070	41,949	96%
- Other deposits	11,458	3,584	-	3,453	6,954	-50%
Borrowings from banks and central banks	180,443	258,423	-30%	170,591	244,133	-30%
Due to customers	11,038,175	10,464,017	5%	7,344,022	7,033,409	4%
- Deposits on demand	8,918,526	8,281,230	8%	6,471,110	6,084,776	6%
- Other deposits	2,119,649	2,182,787	-3%	872,912	948,633	-8%
Borrowings from other customers	62,303	61,844	1%	3,198	4,128	-23%
Subordinated liabilities	90,269	15,050	-	90,269	-	-
Other financial liabilities	157,060	100,887	56%	101,532	62,212	63%
Total	11,584,540	10,926,996	6%	7,795,135	7,392,785	5%

a) Subordinated liabilities

	Currency	Due date	Interest rate	in EUR thousands							
				NLB Group				NLB			
				30 Sep 2019		31 Dec 2018		30 Sep 2019		31 Dec 2018	
	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value	Carrying amount	Nominal value			
Subordinated bonds	EUR	6.5.2029	4.2% to 6.5.2024, thereafter 5Y MS + 4.159% p.a.	45,342	45,000	-	-	45,342	45,000	-	-
Subordinated loans	EUR	20.9.2029	3.826% to 20.9.2024, thereafter 5Y IRS + 4.21% p.a.	44,927	45,000	-	-	44,927	45,000	-	-
	EUR	30.6.2020	6-month EURIBOR + 7.7% p. a.	-	-	5,110	5,000	-	-	-	-
	EUR	26.6.2025	6-month EURIBOR + 6.25% p. a.	-	-	9,940	10,000	-	-	-	-
Total				90,269	90,000	15,050	15,000	90,269	90,000	-	-

b) Other financial liabilities

	in EUR thousands					
	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Items in the course of payment	31,138	20,360	53%	14,945	4,451	-
Debit or credit card payables	21,867	22,567	-3%	20,097	20,511	-2%
Lease liabilities	17,910	-	-	2,638	-	-
Accrued expenses	15,695	11,988	31%	8,193	4,741	73%
Accrued salaries	12,266	9,510	29%	6,685	6,595	1%
Liabilities to brokerage firms and others for securities purchase and custody services	11,236	1,383	-	10,717	653	-
Suppliers	4,982	16,404	-70%	3,069	13,191	-77%
Unused annual leave	3,351	3,645	-8%	2,389	2,389	0%
Fees and commissions due	117	1,861	-94%	46	1,802	-97%
Other financial liabilities	38,498	13,169	192%	32,753	7,879	-
Total	157,060	100,887	56%	101,532	62,212	63%

5.11. Provisions

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Employee benefit provisions	16,025	15,404	4%	13,616	13,158	3%
Provisions for legal issues	16,062	13,076	23%	2,050	2,180	-6%
Restructuring provisions	9,659	12,363	-22%	9,283	11,942	-22%
Provisions for commitments and guarantees	41,259	39,082	6%	31,743	29,516	8%
Stage 1	11,269	9,044	25%	5,408	4,071	33%
Stage 2	3,380	3,264	4%	1,223	821	49%
Stage 3	26,610	26,774	-1%	25,112	24,624	2%
Other provisions	266	209	27%	189	198	-5%
Total	83,271	80,134	4%	56,881	56,994	0%

NLB has disclosed in the Annual Report of NLB Group for the year 2018 certain court proceedings initiated by two Croatian banks against NLB and LB, related to the legacy foreign currency deposits which were deposited with LB Zagreb Branch and were in accordance with the Croatian regulations transferred to Croatian banks. The new development in this respect is as follows.

The County Court of Zagreb as the Court of Appeals decided with Judgement, received on 23 April 2019 to reject the appeals of NLB and LB and to confirm the judgment of the court of first instance of 7 April 2017, ordering the defendants NLB and LB a joint and several payment of 9,185,141.76 USD to the plaintiff Privredna banka d.d., Zagreb (»PBZ«) together with interest accrued since 1 January 1992 up to the date of payment and legal fees totalling 3,198,760.00 HRK together with penalty interest accrued since 7 April 2017 up to the date of payment (»Judgement«). LB and NLB are in accordance with the Judgement obligated to pay the above-mentioned sums as their joint and several liability. The judgment is final and enforceable irrespective of the fact that on 22 May 2019 NLB challenged the judgment by revision with the Supreme Court of the Republic of Croatia.

On 19 July 2018 the National Assembly of the Republic of Slovenia passed the Act for Value Protection of Republic of Slovenia's Capital Investment in Nova Ljubljanska banka d.d., Ljubljana (Zakon za zaščito vrednosti kapitalske naložbe Republike Slovenije v Novi Ljubljanski banki d.d., Ljubljana, hereinafter: the ZVKNNLB) which entered into force on 14 August 2018 and based on the ZVKNNLB the agreement between NLB and Succession Fund of the Republic of Slovenia (Fund) was concluded. In accordance with the ZVKNNLB and pursuant to the agreement between NLB and the Fund, the Fund shall compensate NLB for the sums recovered from NLB by enforcement of final judgements delivered by Croatian courts with regard to the transferred foreign currency deposits, however NLB is entitled for compensation only in case of enforcement of final judgements and not in case of voluntarily payment of the adjudicated amount by NLB. The Fund shall not compensate NLB for its own costs or for the difference between the book value of its assets sold in enforcement proceedings and the price obtained for such assets in enforcement proceedings.

Regardless of the negative judgement, in the financial statements NLB Group did not recognise negative impact due to protection provided by the ZVKNNLB. For final judgements NLB Group recognised the liabilities and related assets which currently amount to approximately EUR 22 million. They are included within other financial assets (note 5.7.d) and other financial liabilities (note 5.14.c).

5.12. Income tax relating to components of other comprehensive income

in EUR thousands

	NLB Group					
	nine months ended			nine months ended		
	Sep 2019			Sep 2018		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	17,292	(3,009)	14,283	(8,584)	1,853	(6,731)
Share of associates and joint ventures	13,431	(2,552)	10,879	(4,090)	765	(3,325)
Total	30,723	(5,561)	25,162	(12,674)	2,618	(10,056)

in EUR thousands

	NLB					
	nine months ended			nine months ended		
	Sep 2019			Sep 2018		
	Before tax	Tax expense	Net of tax	Before tax	Tax expense	Net of tax
Financial assets measured at fair value through other comprehensive income	15,408	(2,928)	12,480	(9,861)	1,882	(7,979)
Total	15,408	(2,928)	12,480	(9,861)	1,882	(7,979)

5.13. Other liabilities

in EUR thousands

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
	Taxes payable	3,723	4,210	-12%	2,995	3,185
Deferred income	8,727	8,269	6%	6,712	5,698	18%
Payments received in advance	1,582	2,361	-33%	1,294	660	96%
Total	14,032	14,840	-5%	11,001	9,543	15%

5.14. Capital adequacy ratio

in EUR thousands

	NLB Group		NLB	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	Paid-up capital instruments	200,000	200,000	200,000
Share premium	871,378	871,378	871,378	871,378
Retained earnings - from previous years	358,628	293,026	51,891	29,192
Profit or loss eligible - from current year	-	108,829	-	103,335
Accumulated other comprehensive income	18,365	3,598	28,319	15,839
Other reserves	13,522	13,522	13,522	13,522
Prudential filters: Value adjustments due to the requirements for prudent valuation	(2,193)	(1,983)	(1,723)	(1,607)
(-) Goodwill	(3,529)	(3,529)	-	-
(-) Other intangible assets	(32,146)	(31,439)	(24,036)	(23,391)
COMMON EQUITY TIER 1 CAPITAL (CET1)	1,424,025	1,453,402	1,139,351	1,208,268
Additional Tier 1 capital	-	-	-	-
TIER 1 CAPITAL	1,424,025	1,453,402	1,139,351	1,208,268
Tier 2 capital	44,595	-	44,595	-
TOTAL CAPITAL (OWN FUNDS)	1,468,620	1,453,402	1,183,946	1,208,268
RWA for credit risk	7,626,968	7,179,678	4,396,092	4,150,987
RWA for market risks	550,538	541,901	297,113	273,476
RWA for credit valuation adjustment risk	7,038	2,563	7,038	2,563
RWA for operational risk	941,594	953,482	605,581	596,586
TOTAL RISK EXPOSURE AMOUNT (RWA)	9,126,138	8,677,624	5,305,824	5,023,612
Common Equity Tier 1 Ratio	15.6%	16.7%	21.5%	24.1%
Tier 1 Ratio	15.6%	16.7%	21.5%	24.1%
Total Capital Ratio	16.1%	16.7%	22.3%	24.1%

As at 30 September 2019, the Total capital ratio for NLB Group stood at 16.1% (or 0.6 percentage points lower than at the end of 2018), and for NLB at 22.3% (or 1.8 percentage point lower than at the end of 2018). The Tier 1 ratio and Common equity Tier 1 ratio (15.6% or 1.1 percentage points lower than at the end of 2018) differ from Total capital ratio due to below mentioned Tier 2 notes issued on 6 May 2019. The lower capital adequacy derives from higher RWA (EUR 448.5 million for NLB Group). RWA for credit risk increased by EUR 447.3 million, of which on corporate and retail segment EUR 276.7 million due to loan growth. The increase in RWA for market risks and CVA (Credit value adjustments) (EUR 13.1 million) is mainly the result of more open positions in domestic currencies of non-euro subsidiary banks. The

decrease in the RWA for operational risks (EUR 11.9 million) arises from the lower three-year average of relevant income, which represents the basis for the calculation. In June 2019, NLB paid out dividends in total amount of EUR 142.6 million, which represents EUR 7.13 gross per share. This decreased capital for EUR 43.2 million, nevertheless, the Total capital increased by EUR 15.2 million, mainly due to new Tier 2 notes (EUR 44.6 million) and higher other comprehensive income (EUR 14.6 million).

To strengthen and optimize the NLB Group's capital structure, the Bank issued two subordinated instruments in 2019. On 6 May 2019, NLB issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 45 million. The fixed coupon of the notes during the first five years is 4.2% p.a., thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as defined at the issuance of the notes. The notes with ticker NLB27 and ISIN code SI0022103855 were as of 8 May 2019 admitted to trading on the regulated market of the Ljubljana Stock Exchange. This Tier 2 notes has been included in the calculation of capital since 30 June 2019.

On 20 September 2019, NLB concluded bilateral agreement in the form of a loan to raise EUR 45 million of subordinated Tier 2 debt with fixed interest rate. This Tier 2 debt is pending BS/ECB approval for inclusion in capital calculation and was therefore not included in capital calculation for 30 September 2019.

5.15. Book value per share

	NLB Group		NLB	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Total equity attributable to owners of the parents (in EUR thousand)	1,661,512	1,616,216	1,328,090	1,295,230
Number of shares (in thousands)	20,000	20,000	20,000	20,000
Book value per share (in EUR)	83.1	80.8	66.4	64.8

Book value per share is calculated as the ratio of net assets' book value without other equity instruments issued and the number of shares. NLB Group and NLB do not have any other equity instruments issued or treasury shares.

5.16. Off-balance sheet liabilities

	NLB Group			NLB		
	30 Sep 2019	31 Dec 2018	Change	30 Sep 2019	31 Dec 2018	Change
Commitments to extend credit	1,370,836	1,207,642	14%	1,077,756	945,856	14%
Non-financial guarantees	529,041	451,528	17%	395,477	345,536	14%
Financial guarantees	359,488	357,778	0%	212,060	227,790	-7%
Letters of credit	18,257	18,155	1%	5,057	5,302	-5%
Other	10,838	10,415	4%	10,085	5,200	94%
	2,288,460	2,045,518	12%	1,700,435	1,529,684	11%
Provisions (note 5.11.)	(41,259)	(39,082)	-6%	(31,743)	(29,516)	-8%
Total	2,247,201	2,006,436	12%	1,668,692	1,500,168	11%

in EUR thousands

5.17. Fair value hierarchy of financial and non-financial assets and liabilities

Fair value is the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. NLB Group uses various valuation techniques to determine fair value. IFRS 13 specifies a fair value hierarchy with respect to the inputs and assumptions used to measure financial and non-financial assets and liabilities at fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the assumptions of NLB Group and NLB. This hierarchy gives the highest priority to observable market data when available, and the lowest priority to unobservable market data. NLB Group considers relevant and observable market prices in its valuations where possible. The fair value hierarchy comprises the following levels:

- Level 1 – Quoted prices (unadjusted) on active markets. This level includes listed equities, debt instruments, derivatives, units of investment funds, and other unadjusted market prices of assets and liabilities. When an asset or liability may be exchanged on multiple active markets, the principal market for the asset or liability must be determined. In the absence of a principal market, the most advantageous market for the asset or liability must be determined.
- Level 2 – A valuation technique where inputs are observable, either directly (i.e. prices) or indirectly (i.e. derived from prices). Level 2 includes quoted prices for similar assets or liabilities on active markets and quoted prices for identical or similar assets and liabilities on markets that are not active. The sources of input parameters for financial instruments, such as yield curves, credit spreads, foreign exchange rates, and the volatility of interest rates and foreign exchange rates, are Reuters and Bloomberg.
- Level 3 – A valuation technique where inputs are not based on observable market data. Unobservable inputs are used to the extent that relevant observable inputs are not available. Unobservable inputs must reflect the assumptions that market participants would use when pricing an asset or liability. This level includes non-tradable shares and bonds and derivatives associated with these investments and other assets and liabilities for which fair value cannot be determined with observable market inputs.

Where possible, fair value is determined as an observable market price on an active market for an identical asset or liability. An active market is a market on which transactions for an asset or liability are executed with sufficient frequency and volume to provide pricing information on an ongoing basis. Assets and liabilities measured at fair value on active markets are determined as the market price of a unit (e.g. a share) at the measurement date, multiplied by the quantity of units owned by NLB Group. The fair value of assets and liabilities whose market is not active is determined using valuation techniques. Valuation techniques bear a different intensity level of estimates and assumptions, depending on the availability of observable market inputs associated with the asset or liability that is the subject of valuation. Unobservable inputs shall reflect the estimates and assumptions that other market participants would use when pricing the asset or liability.

For non-financial assets measured at fair value and not classified on Level 1, fair value is determined based on valuation reports provided by certified valuers. Valuations are prepared in accordance with the International Valuation Standards (IVS).

a) **Financial and non-financial assets and liabilities, measured at fair value in the financial statements**

in EUR thousands

30 Sep 2019	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	61,184	25,667	735	87,586	61,184	25,667	735	87,586
Debt instruments	61,184	-	-	61,184	61,184	-	-	61,184
Derivatives	-	25,667	735	26,402	-	25,667	735	26,402
Financial assets measured at fair value through other comprehensive income	1,770,048	291,414	4,071	2,065,533	1,547,865	52,724	248	1,600,837
Debt instruments	1,769,886	245,955	-	2,015,841	1,547,865	7,893	-	1,555,758
Equity instruments	162	45,459	4,071	49,692	-	44,831	248	45,079
Non-trading financial assets mandatorily at fair value through profit or loss	6,078	-	24,929	31,007	-	-	28,584	28,584
Debt instruments	1,978	-	-	1,978	-	-	-	-
Equity instruments	4,100	-	9,517	13,617	-	-	9,517	9,517
Loans	-	-	15,412	15,412	-	-	19,067	19,067
Financial liabilities								
Financial instruments held for trading	-	24,473	-	24,473	-	24,765	-	24,765
Derivatives	-	24,473	-	24,473	-	24,765	-	24,765
Derivatives - hedge accounting	-	65,417	-	65,417	-	65,417	-	65,417
Financial liabilities measured at fair value through profit or loss	-	-	8,769	8,769	-	-	8,075	8,075
Non-financial assets								
Investment properties	-	56,421	-	56,421	-	11,952	-	11,952
Non-current assets classified as held for sale	-	45,431	-	45,431	-	4,794	-	4,794

in EUR thousands

31 Dec 2018	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total fair value	Level 1	Level 2	Level 3	Total fair value
Financial assets								
Financial instruments held for trading	48,697	14,583	329	63,609	48,697	14,585	329	63,611
Debt instruments	48,697	-	-	48,697	48,697	-	-	48,697
Derivatives	-	14,583	329	14,912	-	14,585	329	14,914
Derivatives - hedge accounting	-	417	-	417	-	417	-	417
Financial assets measured at fair value through other comprehensive income	1,638,822	255,297	3,960	1,898,079	1,475,633	52,433	248	1,528,314
Debt instruments	1,638,660	210,358	-	1,849,018	1,475,633	7,949	-	1,483,582
Equity instruments	162	44,939	3,960	49,061	-	44,484	248	44,732
Non-trading financial assets mandatorily at fair value through profit and loss	6,666	-	25,723	32,389	624	-	28,517	29,141
Debt instruments	2,009	-	-	2,009	-	-	-	-
Equity instruments	4,657	-	1,923	6,580	624	-	1,923	2,547
Loans	-	-	23,800	23,800	-	-	26,594	26,594
Financial liabilities								
Financial instruments held for trading	-	12,300	-	12,300	-	12,256	-	12,256
Derivatives	-	12,300	-	12,300	-	12,256	-	12,256
Derivatives - hedge accounting	-	29,474	-	29,474	-	29,474	-	29,474
Financial liabilities measured at fair value through profit or loss	-	-	4,190	4,190	-	-	3,981	3,981
Non-financial assets								
Investment properties	-	58,644	-	58,644	-	12,026	-	12,026
Non-current assets classified as held for sale	-	4,349	-	4,349	-	1,720	-	1,720

b) **Significant transfers of financial instruments between levels of valuation**

NLB Group's policy of transfers of financial instruments between levels of valuation is illustrated in the table below.

Fair value hierarchy	NLB Group			NLB			
	Equities	Equity stake	Funds	Debt securities	Equities	Currency	Interest
1	market value from exchange market		regular valuation by fund management company	market value from exchange market			
2				valuation model	valuation model (underlying instrument on level 1)		valuation model
3	valuation model	valuation model	valuation model	valuation model	valuation model (underlying instrument on level 3)		
Transfers							
	from level 1 to 3 equity excluded from exchange market		from level 1 to 3 fund management stops publishing regular valuation	from level 1 to 2 fixed income excluded from exchange market	from level 2 to 3 underlying excluded from exchange market		
	from level 1 to 3 companies in insolvency proceedings		from level 3 to 1 fund management starts publishing regular valuation	from level 1 to 2 fixed income not liquid (not trading for 6 months)	from level 3 to 2 underlying included in exchange market		
	from level 3 to 1 equity included in exchange market			from level 1 to 3 and from 2 to 3 companies in insolvency proceedings			
				from level 2 to 1 and from 3 to 1 start trading with fixed income on exchange market			
				from level 3 to 2 until valuation parameters are confirmed on ALCO (at least on a quarterly basis)			

For the nine months ended 30 September 2019 and 30 September 2018, NLB Group nor NLB had any significant transfers of financial instruments between levels of valuation.

c) Financial and non-financial assets and liabilities at Level 2 regarding the fair value hierarchy

Financial instruments on Level 2 of the fair value hierarchy at NLB Group and NLB include:

- debt securities: bonds not quoted on active markets and valued by valuation model;
- equities;
- derivatives: derivatives except forward derivatives and options on equity instruments that are not quoted on active markets;
- the National Resolution Fund, and
- structured deposits.

When valuing bonds classified on Level 2, NLB Group primarily uses the income approach based on an estimation of future cash flows discounted to the present value. The input parameters used in the income approach are the risk-free yield curve and the spread over the yield curve (credit, liquidity, country).

Fair values for derivatives are determined using a discounted cash flow model based on the risk-free yield curve. Fair values for options are determined using valuation models for options (Garman and Kohlhagen model, binomial model, and Black-Scholes model).

At least three valuation methods are used for the valuation of investment property. The majority of investment property is valued using the income approach, where the present value of future expected returns is assessed. When valuing an investment property, average rents at similar locations and capitalisation ratios, such as the risk-free yield, risk premium, liquidity premium, risk premium to account for the management of the investment, and risk premium to account for capital preservation are used. Rents at similar locations are generated from various sources, like data from lessors and lessees, web databases, and own databases. NLB Group has observable data for all investment property at its disposal. If observable data for similar locations are not available, NLB Group uses data from wider locations and appropriately adjusts such data.

Non-current assets held for sale represent property, plant, and equipment that are measured at fair value less costs to sell, because this is lower than the previous carrying amount of those assets.

d) Financial and non-financial assets and liabilities at Level 3 of the fair value hierarchy

Financial instruments on Level 3 of the fair value hierarchy in NLB Group and NLB include:

- debt securities: structured debt securities from inactive emerging markets;
- equities: corporate and financial equities that are not quoted on active markets; and
- derivative financial instruments: forward derivatives and options on equity instruments that are not quoted on an active organised market. Fair values for forward derivatives are determined using the discounted cash flow model. Fair values for equity options are determined using valuation models for options (Garman and Kohlhagen model, binomial model and Black-Scholes model). Unobservable inputs include the fair values of underlying instruments determined using valuation models. The source of observable market inputs is the Reuters information system.

NLB Group uses three valuation methods for the valuation of equity financial assets: the income approach, market approach, and cost approach.

The most commonly used valuation technique is the income approach. The income approach is based on an estimation of future cash flows discounted to the present value. One of the key elements of the valuation is the projection of the cash flows that the company is able to generate in the future. Based on that, the projection of the future cash flow is generated. The key variables that affect the amount of cash flows, and thus the estimated fair value of the financial asset, also include an assumption regarding the long-term EBITDA margin. A discount rate that is appropriate for the risks associated with the realisation of these benefits is used to discount cash flows. The discount rate is determined as the weighted average cost of capital. A forecast of future cash flows and a calculation of the weighted average cost of capital is prepared for an accurate forecasting period (usually 10 years from the date of the prediction value), and for a period following the period of accurate forecasting. Assumptions of long-term stable growth in the amount of 2.5% are used for the period following the period of accurate forecasting. NLB Group can select values of unobservable input data within a reasonable possible range, but uses those input data that other market participants would use.

Movements of financial assets and liabilities on Level 3

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2019	329	3,960	1,923	23,800	30,012	4,190
Effects of translation of foreign operations to presentation currency	-	110	-	-	110	-
Valuation:						
- through profit or loss	406	-	7,011	13,487	20,904	4,560
Exchange differences	-	-	-	-	-	19
Increases	-	-	-	6,774	6,774	-
Decreases	-	1	(17)	(28,649)	(28,665)	-
Transfers to Level 3	-	-	600	-	600	-
Balance as at 30 Sep 2019	735	4,071	9,517	15,412	29,735	8,769

in EUR thousands

NLB Group	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2018	571	5,362	69	24,649	30,651	5,180
Effects of translation of foreign operations to presentation currency	-	102	-	-	102	-
Valuation:						
- through profit or loss	(407)	-	(15)	7,053	6,631	4,436
- recognised in other comprehensive income	-	589	-	-	589	-
Exchange differences	-	-	-	-	-	15
Increases	-	-	-	19,205	19,205	-
Decreases	-	(3)	-	(29,228)	(29,231)	-
Balance as at 30 Sep 2018	164	6,050	54	21,679	27,947	9,631

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2019	329	248	1,923	26,594	29,094	3,981
Valuation:						
- through profit or loss	406	-	7,011	12,277	19,694	4,075
Exchange differences	-	-	-	-	-	19
Increases	-	-	-	7,828	7,828	-
Decreases	-	-	(17)	(27,632)	(27,649)	-
Transfers to Level 3	-	-	600	-	600	-
Balance as at 30 Sep 2019	735	248	9,517	19,067	29,567	8,075

in EUR thousands

NLB	Financial instruments held for trading	Financial assets measured at fair value through OCI	Non-trading financial assets mandatorily at fair value through profit or loss		Total financial assets	Financial liabilities measured at fair value through profit or loss
	Derivatives	Equity instruments	Equity instruments	Loans and other financial assets		Loans and other financial liabilities
Balance as at 1 Jan 2018	571	1,784	69	30,055	32,479	4,531
Valuation:						
- through profit or loss	(407)	-	(15)	8,427	8,005	4,799
- recognised in other comprehensive income	-	573	-	-	573	-
Exchange differences	-	-	-	-	-	15
Increases	-	-	-	12,870	12,870	-
Decreases	-	(3)	-	(26,258)	(26,261)	-
Balance as at 30 Sep 2018	164	2,354	54	25,094	27,666	9,345

In nine months ended 30 September 2019 and 2018, NLB Group and NLB recognised the following unrealised gains or losses for financial instruments that were at Level 3 as at 30 September 2019 and as at 30 September 2018:

in EUR thousands

30 Sep 2019	NLB Group			NLB		
	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss
Items of Income statement						
Gains less losses from financial assets and liabilities held for trading	406	-	-	406	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	15,938	-	-	15,213
Foreign exchange translation gains less losses	-	-	(19)	-	-	(19)
Item of Other comprehensive income						
Financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-

in EUR thousands

30 Sep 2018	NLB Group			NLB		
	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss	Financial assets held for trading	Financial assets measured at fair value through other comprehensive income	Non-trading financial assets mandatorily at fair value through profit or loss
Items of Income statement						
Gains less losses from financial assets and liabilities held for trading	(407)	-	-	(407)	-	-
Gains less losses from non-trading assets mandatorily at fair value through profit or loss	-	-	2,602	-	-	3,613
Foreign exchange translation gains less losses	-	-	(15)	-	-	(15)
Item of Other comprehensive income						
Financial assets measured at fair value through other comprehensive income	-	589	-	-	573	-

e) Fair value of financial instruments not measured at fair value in financial statements

in EUR thousands

	NLB Group				NLB			
	30 Sep 2019		31 Dec 2018		30 Sep 2019		31 Dec 2018	
	Carrying value	Fair value						
Financial assets measured at amortised cost								
- debt securities	1,672,728	1,755,638	1,428,962	1,471,050	1,500,585	1,579,787	1,274,978	1,313,913
- loans and advances to banks	90,264	90,338	118,696	118,973	147,890	184,246	110,297	123,377
- loans and advances to customers	7,480,610	7,711,153	7,124,633	7,186,301	4,583,585	4,751,878	4,451,477	4,472,075
- other financial assets	88,850	88,850	75,171	75,171	99,142	99,142	42,741	42,741
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	56,290	56,289	26,775	26,754	85,523	85,526	48,903	48,901
- borrowings from banks and central banks	180,443	190,532	258,423	268,003	170,591	246,741	244,133	253,376
- due to customers	11,038,175	11,063,506	10,464,017	10,478,309	7,344,022	7,353,189	7,033,409	7,039,583
- borrowings from other customers	62,303	63,417	61,844	62,226	3,198	3,203	4,128	4,135
- subordinated liabilities	90,269	93,905	15,050	15,209	90,269	93,905	-	-
- other financial liabilities	157,060	157,060	100,887	100,887	101,532	101,532	62,212	62,212

Loans and advances to banks

The estimated fair value of deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and residual maturities. The fair value of overnight deposits equals their carrying value.

Loans and advances to customers

Loans and advances are the net of the allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates for debts with similar credit risk and residual maturities to determine their fair value.

Deposits and borrowings

The fair value of sight deposits and overnight deposits equals their carrying value. However, their actual value for the NLB Group depends on the timing and amounts of cash flows, current market rates, and the credit risk of the depository institution itself. A portion of sight deposits is stable, similar to term deposits. Therefore, their economic value for the NLB Group differs from the carrying amount.

The estimated fair value of other deposits and borrowings from customers is based on discounted cash flows using interest rates for new deposits with similar residual maturities.

Debt securities measured at amortised cost and issued debt securities

The fair value of debt securities measured at amortised cost and issued debt securities is based on their quoted market price or value calculated by using a discounted cash flow method, and the prevailing money market interest rates.

Loan commitments

For credit facilities that are drawn soon after the NLB Group grants loans (drawn at market rates) and loan commitments to those clients that are not impaired, the fair value is close to zero. For loan commitments to clients that are impaired, fair value represents the amount of the created provisions.

Other financial assets and liabilities

The carrying amount of other financial assets and liabilities is a reasonable approximation of their fair value as they mainly relate to short-term receivables and payables.

f) Fair value hierarchy of financial instruments not measured at fair value in financial statements

in EUR thousands

30 Sep 2019	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at amortised cost								
- debt securities	1,666,860	88,778	-	1,755,638	1,491,009	88,778	-	1,579,787
- loans to banks	-	90,338	-	90,338	-	184,246	-	184,246
- loans and advances to customers	-	7,711,153	-	7,711,153	-	4,751,878	-	4,751,878
- other financial assets	-	88,850	-	88,850	-	99,142	-	99,142
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	56,289	-	56,289	-	85,526	-	85,526
- borrowings from banks and central banks	-	190,532	-	190,532	-	246,741	-	246,741
- due to customers	-	11,063,506	-	11,063,506	-	7,353,189	-	7,353,189
- borrowings from other customers	-	63,417	-	63,417	-	3,203	-	3,203
- subordinated liabilities	45,359	48,546	-	93,905	45,359	48,546	-	93,905
- other financial liabilities	-	157,060	-	157,060	-	101,532	-	101,532

in EUR thousands

31 Dec 2018	NLB Group				NLB			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at amortised cost								
- debt securities	1,392,741	78,309	-	1,471,050	1,235,604	78,309	-	1,313,913
- loans to banks	-	118,973	-	118,973	-	123,377	-	123,377
- loans and advances to customers	-	7,186,301	-	7,186,301	-	4,472,075	-	4,472,075
- other financial assets	-	75,171	-	75,171	-	42,741	-	42,741
Financial liabilities measured at amortised cost								
- deposits from banks and central banks	-	26,754	-	26,754	-	48,901	-	48,901
- borrowings from banks and central banks	-	268,003	-	268,003	-	253,376	-	253,376
- due to customers	-	10,478,309	-	10,478,309	-	7,039,583	-	7,039,583
- borrowings from other customers	-	62,226	-	62,226	-	4,135	-	4,135
- subordinated liabilities	-	15,209	-	15,209	-	-	-	-
- other financial liabilities	-	100,887	-	100,887	-	62,212	-	62,212

6. Related-party transactions

Related-party transactions with Management Board and other key management personnel, their family members and companies in which these related parties have control, joint control or significant influence

in EUR thousands

NLB Group and NLB	Management Board and other Key management personnel		Family members of the Management Board and other key management personnel		Companies in which members of the Management Board, key management personnel, or their family members have control, joint control or a significant influence		Supervisory Board	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	nine months ended		nine months ended		nine months ended		nine months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018
Loans and deposits issued	2,019	1,903	499	347	105	231	249	413
Loans and deposits received	1,852	1,732	855	447	206	102	111	341
Other financial liabilities	2,759	2,552	-	-	1	6	-	-
Guarantees issued and commitments to extend credit	262	221	83	83	121	59	20	26
Interest income	29	26	7	6	3	3	4	8
Interest expenses	(3)	(3)	-	(1)	-	-	-	-
Fee income	8	8	5	4	4	7	-	2
Other income	14	1	-	-	-	-	-	-
Administrative and other operating expenses	(2)	(2)	-	-	(36)	(41)	-	-

Key management compensation – payments in the period

in EUR thousands

NLB Group and NLB	Management Board		Other key management personnel	
	nine months ended		nine months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018
Short-term benefits	1,269	496	3,730	3,520
Cost refunds	3	3	61	66
Long-term bonuses				
- other benefits	4	4	54	55
Variable part of payments	162	143	1,316	1,352
Total	1,438	646	5,161	4,993

Short-term benefits include:

- monetary benefits (gross salaries, supplementary insurance, holiday bonus, other bonus);
- non-monetary benefits (company cars, health care, apartments, etc.).

The reimbursement of costs is comprised of food allowances and travel expenses, other long-term bonuses include supplementary voluntary pension insurance and jubilee bonuses and variable part of payments is paid in accordance with the Remuneration Policy for employees with a special nature of work.

Related-party transactions with subsidiaries, associates and joint ventures

in EUR thousands

	NLB Group			
	Associates		Joint ventures	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Loans and deposits issued	1,088	1,176	1,656	2,981
Loans and deposits received	671	722	9,620	4,424
Other financial assets	8	22	645	347
Other financial liabilities	186	1,131	896	231
Guarantees issued and commitments to extend credit	35	35	27	26
	nine months ended		nine months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018
Interest income	26	28	15	32
Interest expenses	-	-	(46)	(25)
Fee income	7	103	3,321	3,058
Fee expenses	(9,232)	(8,357)	(1,595)	(904)
Other income	135	139	95	101
Administrative and other operating expenses	(404)	(590)	(22)	(25)
Gains less losses from financial assets and liabilities held for trading	-	(1)	-	-

in EUR thousands

	NLB					
	Subsidiaries		Associates		Joint ventures	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Loans and deposits issued	253,122	244,528	1,088	1,176	1,622	2,940
Loans and deposits received	72,609	40,313	671	722	6,571	2,588
Other financial assets	716	745	8	22	645	347
Other financial liabilities	109	86	59	1,078	201	140
Guarantees issued and commitments to extend credit	31,060	25,413	35	35	27	26
Received loan commitments and financial guarantees	3,765	4,811	-	-	-	-
	nine months ended		nine months ended		nine months ended	
	Sep 2019	Sep 2018	Sep 2019	Sep 2018	Sep 2019	Sep 2018
Interest income	3,442	3,444	26	28	14	30
Interest expenses	(205)	(145)	-	-	-	-
Fee income	4,466	4,242	7	103	3,220	2,967
Fee expenses	(12)	(24)	(7,869)	(7,210)	(613)	(821)
Other income	389	435	135	139	95	101
Administrative and other operating expenses	(304)	(534)	(404)	(364)	(22)	(25)
Gains less losses from financial assets and liabilities held for trading	(425)	(40)	-	(1)	-	-
Gains less losses from non-trading financial assets mandatorily at fair value through profit or loss	(32)	1,161	-	-	-	-

Related-party transactions with major shareholder with significant influence

in EUR thousands

	NLB Group			
	Shareholder		NLB Shareholder	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Loans and deposits issued measured at amortised cost	52,871	79,156	51,116	76,374
Investments in securities (banking book)	890,107	871,456	804,991	819,065
Investments in securities (trading book)	53,723	36,807	53,723	36,807
Other financial assets	647	648	647	648
Other financial liabilities	16	7	16	7
Guarantees issued and commitments to extend credit	1,099	1,153	1,099	1,153
	nine months ended		nine months ended	
	Sep 2019	Sep 2018*	Sep 2019	Sep 2018*
Interest income	11,824	15,891	12,095	16,005
Fee income	128	558	128	558
Fee expenses	(23)	(24)	(23)	(24)
Other income	272	132	272	132
Administrative and other operating expenses	(5)	(8)	(5)	(8)
Gains less losses from financial assets and liabilities not classified as at fair value through profit or loss	2,805	217	2,805	217
Gains less losses from financial assets and liabilities held for trading	(263)	(303)	(263)	(303)

* As at 30 September 2018 Republic of Slovenia was the ultimate parent

NLB Group discloses all transactions with the major shareholder with significant influence. For transactions with other government-related entities, NLB Group discloses individually significant transactions.

in EUR thousands

NLB Group and NLB	Amount of significant transactions concluded during the period		Number of significant transactions concluded during the period	
	nine months ended	12 months ended	nine months ended	12 months ended
	Sep 2019	Dec 2018	Sep 2019	Dec 2018
Loans	57,113	-	1	-
Borrowings, deposits and business accounts	179,309	-	2	-
	Balance of all significant transactions at end of the period		Number of significant transactions at end of the period	
	30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
Loans	591,984	539,116	6	5
Debt securities measured at amortised cost	79,070	76,680	1	1
Borrowings, deposits, and business accounts	115,113	135,063	2	2
	Effects in the income statement during the period			
	nine months ended			
	Sep 2019	Sep 2018		
Interest income from loans	2,215	2,010		
Fees and commissions income	162	14		
Effects from net interest income and net valuation from debt securities measured at amortised cost	3,194	437		
Interest expense from borrowings, deposits and business accounts	(355)	(179)		

7. Analysis by segment for NLB Group

a) Segments

Nine months ended 30 September 2019

in EUR thousands

NLB Group	Retail banking in Slovenia	Corporate banking in Slovenia	Strategic foreign markets	Financial markets in Slovenia	Non-core members	Other activities	Unallocated	Total
Total net income	122,455	61,733	155,427	26,926	8,659	10,929	-	386,130
Net income from external customers	126,807	65,257	156,899	16,013	8,858	10,883	-	384,717
Intersegment net income	(4,352)	(3,524)	(1,472)	10,914	(199)	46	-	1,413
Net interest income	65,582	28,368	117,583	25,166	2,177	(84)	-	238,792
Net interest income from external customers	70,182	31,210	119,486	14,628	3,416	(130)	-	238,792
Intersegment net interest income	(4,600)	(2,842)	(1,903)	10,538	(1,239)	46	-	-
Administrative expenses	(75,292)	(28,760)	(67,675)	(4,734)	(8,920)	(6,625)	-	(192,006)
Depreciation and amortisation	(8,822)	(2,849)	(9,816)	(428)	(989)	(880)	-	(23,784)
Reportable segment profit/(loss) before impairment and provision charge	38,341	30,124	77,936	21,765	(1,250)	3,424	-	170,340
Gains less losses from capital investment in associates and joint ventures	4,155	-	-	-	-	-	-	4,155
Impairment and provisions charge	(2,855)	17,817	(5,984)	(495)	1,326	(74)	-	9,734
Profit/(loss) before income tax	39,641	47,941	71,952	21,270	76	3,350	-	184,229
Owners of the parent	39,641	47,941	65,753	21,270	76	3,350	-	178,030
Non-controlling interests	-	-	6,199	-	-	-	-	6,199
Income tax	-	-	-	-	-	-	(15,784)	(15,784)
Profit for the period	-	-	-	-	-	-	-	162,246
30 Sep 2019								
Reportable segment assets	2,514,878	2,029,322	4,579,396	3,910,804	192,855	254,743	-	13,481,999
Investments in associates and joint ventures	7,539	-	-	-	-	-	-	7,539
Reportable segment liabilities	6,329,008	1,066,387	3,887,465	398,529	7,396	96,344	-	11,785,128

Nine months ended 30 September 2018

in EUR thousands

NLB Group	Retail banking in Slovenia	Corporate banking in Slovenia	Strategic foreign markets	Financial markets and investment banking in Slovenia	Non-strategic markets and activities	Other activities	Unallocated	Total
Total net income	106,160	56,451	160,855	31,921	13,382	1,557	-	370,326
Net income from external customers	108,733	59,363	161,668	24,368	13,309	1,520	-	368,962
Intersegment net income	(2,573)	(2,912)	(813)	7,552	73	37	-	1,364
Net interest income	56,793	31,792	110,560	25,339	7,456	(75)	-	231,865
Net interest income from external customers	59,626	34,704	111,815	17,907	7,925	(112)	-	231,865
Intersegment net interest income	(2,833)	(2,912)	(1,255)	7,432	(469)	37	-	-
Administrative expenses	(70,001)	(28,827)	(66,861)	(8,522)	(12,730)	(4,297)	-	(191,238)
Depreciation and amortisation	(7,889)	(3,071)	(6,954)	(833)	(1,095)	(658)	-	(20,500)
Reportable segment profit/(loss) before impairment and provision charge	28,270	24,553	87,040	22,566	(443)	(3,398)	-	158,588
Gains less losses from capital investment in subsidiaries, associates and joint ventures	4,105	-	-	-	-	-	-	4,105
Impairment and provisions charge	(3,004)	15,800	(3,354)	117	9,273	137	-	18,969
Profit/(loss) before income tax	29,371	40,353	83,686	22,682	8,831	(3,260)	-	181,662
Owners of the parent	29,371	40,353	76,975	22,682	8,831	(3,260)	-	174,951
Non-controlling interests	-	-	6,711	-	-	-	-	6,711
Income tax	-	-	-	-	-	-	(16,625)	(16,625)
Profit for the period	-	-	-	-	-	-	-	158,326
31 Dec 2018								
Reportable segment assets	2,347,147	1,975,803	4,293,207	3,634,975	263,690	188,033	-	12,702,882
Investments in associates and joint ventures	37,147	-	-	-	-	-	-	37,147
Reportable segment liabilities	5,821,282	1,157,405	3,596,397	391,145	18,334	98,023	-	11,082,585

In 2019, NLB Group changed the way in which business segments are managed and monitored due to changes in the criteria for market segmentation and the treatment of legal entities in NLB, the termination of the European Commission commitments related to disinvestment of certain industries and other strategic decisions. This has resulted in the following changes:

- Investment banking and custody services shifted from segment Financial markets in Slovenia to segment Corporate and Investment Banking in Slovenia.
- Part of legal entities with the basic treatment was transferred from the segment Corporate and Investment Banking in Slovenia to the segment Retail banking in Slovenia.
- Since the European Commission commitments regarding the reduction of credit business in specific industries (construction, transport, financial holdings, foreign clients) have ceased to exist, there is no need for specific monitoring of NLB non-core segment. As a consequence, such clients were transferred to the segment Corporate and Investment Banking in Slovenia from the segment Non-strategic markets and activities, which was renamed to Non-core members in 2019.
- The transfer of NLB Srbija in NLB Črna Gora from segment Strategic foreign markets to segment Non-core members.

Due to these changes the segments' results for the first nine months 2019 are not directly comparable to the segments' results for the previous year.

b) Geographical information

in EUR thousands

NLB Group	Revenues		Net income		Non-current assets		Total assets	
	nine months ended		nine months ended		30 Sep 2019	31 Dec 2018	30 Sep 2019	31 Dec 2018
	Sep 2019	Sep 2018	Sep 2019	Sep 2018				
Slovenia	248,326	244,290	223,346	213,158	150,927	179,526	8,804,328	8,373,933
South East Europe	197,803	184,031	159,560	155,341	139,554	128,416	4,667,492	4,346,277
North Macedonia	62,642	61,661	49,598	52,576	33,668	31,537	1,380,678	1,341,154
Serbia	24,501	21,669	17,387	18,322	24,177	24,086	595,757	511,119
Montenegro	24,647	22,145	20,352	18,226	31,962	28,811	527,943	518,083
Croatia	14	17	614	1,284	2,005	2,827	13,993	23,945
Bosnia and Herzegovina	52,891	50,290	43,389	41,067	32,306	28,240	1,387,811	1,282,643
Kosovo	33,108	28,249	28,220	23,866	15,436	12,915	761,310	669,333
Western Europe	513	531	1,989	462	196	221	17,718	19,641
Germany	6	4	113	(136)	188	209	1,361	1,335
Switzerland	507	527	1,876	598	8	12	16,357	18,306
Czech Republic	-	-	1	1	-	-	-	178
Total	446,642	428,852	384,896	368,962	290,677	308,163	13,489,538	12,740,029

The geographical analysis includes a breakdown of items with respect to the country in which individual NLB Group entities are located.

8. Subsidiaries

NLB Group's subsidiaries as at 30 September 2019 were:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights%	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.83	99.83	99.83	99.83
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Belgrade	Banking	Serbia	99.997	99.997	99.997	99.997
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
Non-core members						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing Podgorica d.o.o., Podgorica - "u likvidaciji"	Finance	Montenegro	100	100	100	100
NLB Leasing d.o.o., Belgrade - u likvidaciji	Finance	Serbia	100	100	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Bosnia and Herzegovina	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
BH-RE d.o.o., Sarajevo	Real estate	Bosnia and Herzegovina	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
NLB Srbija d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz d.o.o., Belgrade - u likvidaciji	Finance	Serbia	-	-	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

NLB Group's subsidiaries as at 31 December 2018 were:

	Nature of Business	Country of Incorporation	NLB's shareholding %	NLB's voting rights%	NLB Group's shareholding %	NLB Group's voting rights%
Core members						
NLB Banka a.d., Skopje	Banking	North Macedonia	86.97	86.97	86.97	86.97
NLB Banka a.d., Podgorica	Banking	Montenegro	99.83	99.83	99.83	99.83
NLB Banka a.d., Banja Luka	Banking	Bosnia and Herzegovina	99.85	99.85	99.85	99.85
NLB Banka sh.a., Prishtina	Banking	Kosovo	81.21	81.21	81.21	81.21
NLB Banka d.d., Sarajevo	Banking	Bosnia and Herzegovina	97.34	97.35	97.34	97.35
NLB Banka a.d., Belgrade	Banking	Serbia	99.997	99.997	99.997	99.997
NLB Srbija d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
NLB Skladi d.o.o., Ljubljana	Finance	Slovenia	100	100	100	100
NLB Crna Gora d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
Non-core members						
NLB Leasing d.o.o. - v likvidaciji, Ljubljana	Finance	Slovenia	100	100	100	100
Optima Leasing d.o.o., Zagreb - "u likvidaciji"	Finance	Croatia	-	-	100	100
NLB Leasing Podgorica d.o.o., Podgorica - "u likvidaciji"	Finance	Montenegro	100	100	100	100
NLB Leasing d.o.o., Belgrade - u likvidaciji	Finance	Serbia	100	100	100	100
NLB Leasing d.o.o., Sarajevo	Finance	Bosnia and Herzegovina	100	100	100	100
NLB Lizing d.o.o.e.l., Skopje - vo likvidacija	Finance	Macedonia	100	100	100	100
Tara Hotel d.o.o., Budva	Real estate	Montenegro	12.71	12.71	100	100
PRO-REM d.o.o., Ljubljana - v likvidaciji	Real estate	Slovenia	100	100	100	100
OL Nekretnine d.o.o., Zagreb - u likvidaciji	Real estate	Croatia	-	-	100	100
BH-RE d.o.o., Sarajevo	Real estate	Bosnia and Herzegovina	-	-	100	100
REAM d.o.o., Podgorica	Real estate	Montenegro	100	100	100	100
REAM d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
SR-RE d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
SPV 2 d.o.o., Belgrade	Real estate	Serbia	100	100	100	100
S-REAM d.o.o., Ljubljana	Real estate	Slovenia	100	100	100	100
REAM d.o.o., Zagreb	Real estate	Croatia	-	-	100	100
CBS Invest d.o.o., Sarajevo	Real estate	Bosnia and Herzegovina	100	100	100	100
NLB InterFinanz AG, Zürich in Liquidation	Finance	Switzerland	100	100	100	100
NLB InterFinanz Praha s.r.o., Prague - vo likvidaciji	Finance	Czech Republic	-	-	100	100
NLB InterFinanz d.o.o., Belgrade - u likvidaciji	Finance	Serbia	-	-	100	100
Prospera plus d.o.o., Ljubljana - v likvidaciji	Tourist and catering trade	Slovenia	100	100	100	100
LHB AG, Frankfurt	Finance	Germany	100	100	100	100

9. Events after the end of the reporting period

On 19 November, the Bank issued 10NC5 subordinated Tier 2 notes in the aggregate nominal amount of EUR 120 million. The fixed coupon of the notes during the first five years is 3.65% p.a., thereafter it will be reset to the sum of the then applicable 5Y MS and the fixed margin as provided at the issuance of the notes (i.e. 3.833% p.a). The notes with ISIN code XS2080776607 and rated BB by S&P rating agency were admitted to trading on the Euro MTF Market operated by the Luxembourg Stock Exchange on 19 November.

